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TRANSPORTATION

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ROYAL COMMISSION ON TRANSPORTATION

June 22/49

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ROYAL COMMISSION ON TRANSPORTATION

VICTORIA, B.C.
WEDNESDAY, JUNE 22, 1949.

THE HONOURABLE W.F.A.TURGEON, K.C. LL.D. - CHAIRMAN
HAROLD ADAMS INNIS - COMMISSIONER
HENRY FORBES ANGUS - COMMISSIONER

- - - - -

G. R. Hunter,
Secretary.

P. L. Belcourt,
Asst. Secretary.

- - - - -

ADDITIONAL APPEARANCES:

C. W. Brazier, Representing the Province of
British Columbia.
M. A. MacPherson, Jr. Representing the province of
Saskatchewan.

- - - - -

THE CHAIRMAN: Yes, Mr. Brazier.

MR. BRAZIER: Mr. Chairman, and gentlemen of the Commission: The Honourable Mr. Wismer, Attorney General of British Columbia, is here this morning to represent the Government of British Columbia. He wishes to make a few remarks.

THE CHAIRMAN: Yes, Mr. Wismer.

THE HONOURABLE MR. WISMER: On behalf of the Government and people of British Columbia may I extend to you a very cordial welcome to our province. We trust that your visit will be a pleasant one.

My Government, in concert with those of the other Western, and the Maritime Provinces, strongly urged the Government of Canada to set up a Royal Commission for the purpose of studying the many problems relating to transportation existing throughout this Dominion. We are gratified that the Dominion Government has seen fit to do so, and in particular that they have chosen such outstanding men to perform this very difficult and extremely important task.

We have every confidence that under the able chairmanship of such a distinguished jurist and public servant as yourself, Mr. Chairman, and with the assistance of two of Canada's most outstanding economists, the Commission will conduct a most searching examination of transportation problems and will make recommendations which, when implemented will be to the general good of all citizens of this Dominion.

We may be pardoned if we express a special feeling of satisfaction and pride that Professor Angus, of our own University of British Columbia, is a member of this important

tribunal.

British Columbia also extends a hearty welcome to the various officers and technical assistants attached to the Commission, as well as the Counsel and representatives of the other provinces and the railways.

For many years we in British Columbia felt that the so-called mountain differential was a most unreasonable and unjust discrimination against this province, and our complaint in this regard has been before the Board of Transport Commissioners of Canada and previously the Board of Railway Commissioners of Canada on many occasions.

We are most gratified that the Board of Transport Commissioners for Canada has in our final application supported our submissions in this connection, and has issued an order that on July 1st next the mountain differential is to be entirely removed. At long last British Columbia will have some measure of equality in transportation costs with the other provinces of Canada.

Although it has been our opinion that the mountain differential has been the main difficulty in arriving at equality of freight rates in Canada it is the opinion of my government that the time has come when the many other problems associated with transportation should be studied and changes made to ensure the great era of development to which we feel Canada can look forward in the coming years.

The last Commission to deal with the subject of transportation was that which functioned under the chairmanship of Sir Lyman Duff. The findings of this Commission in so far as they were implemented by the Government of Canada

had very important effects on our transportation problem. The Rowell-Sirois Commission, also, incidental to its general problems, made certain studies in reference to transportation.

We are of the firm opinion, however, that there has been a sufficient change in the economic development, in the political and social philosophy, and in the technology of transportation, to justify amply a complete review of the whole field of transportation.

In support of the foregoing we would mention the greatly increased tempo of activity, of which we are particularly conscious in this province, the growth of industrialization, the increasing importance of Government in our economic life, and the rapid development of the motor carrier and the airplane as a means of transportation.

Without attempting to enter into a discussion of the many questions which will come before you, it appears to me that the basic problem is essentially of two parts. First, how to provide adequate transportation by the various means we have available at the present time at a minimum total cost; and secondly, how to apportion the cost among the various users of this transportation service in the most equitable manner. It is probably too much to expect a perfect solution to either of these problems; nevertheless it is my firm conviction that improvement is well within the realm of possibility and that this Commission can and will point the way.

As I understand it, your instructions are to consider the disadvantages in the terms of transportation of the various regions, localities and industries, but always in the

light of the National welfare. Let me say for my Government that while we are most certainly mindful of the good of the people and industries of this province we are not indifferent to the problems of the nation as a whole. In our approach to the Dominion-Provincial Conferences we have endeavored to avoid a parochial point of view, and in like manner we approach the problems associated with transportation. British Columbians do not ask for special favours. At the same time, however, we strenuously object to unfair and discriminatory treatment.

In closing, I again bid you welcome and wish you every success in the very difficult task that lies ahead.

THE CHAIRMAN: Mr. Attorney-General, I know that I can speak for my colleagues and myself, and for all those who have accompanied us, when I say to you thank you for your very kind words of welcome and for the accompanying acts you have shown in supplying us with this very fine room in which our sittings are held, as well as for the very fine office accommodation, to enable us to carry on our work here with a great degree of comfort.

I have listened very carefully to your presentation of the problem as you see it. The scope of our Commission is so very wide that, of course, you have mentioned nothing which does not come within the purview of our inquiry.

We are asked to inquire into and report upon all questions of economic policy, within the jurisdiction of Parliament, arising out of the operation and maintenance of national transportation. That is a very wide mandate.

Mr. Attorney-General, I am glad to see that you look at the problem from a broad point of view and that your

interest is focussed not only upon your own province but upon the Dominion as a whole. That is the scope of our inquiry. It is not at all an easy one and although we realize the great difficulties that lie before us, it is not like the setting up of a new railway system in a new country, because we are walking on very well trodden ground, as you yourself just pointed out; and we hope to achieve something which will ameliorate the situation. We thank you for your co-operation.

MR. COVERT: Mr. Chairman, the first submission will be that of the Province of British Columbia. Mr. Brazier?

MR. BRAZIER: Mr. Chairman, I would just indicate briefly to the Commission our intentions for the hearings in Victoria. We shall first hear the provincial brief which has been filed with the Commission. This brief will be read by Mr. J. E. Brown, who is the Assistant Director of the Bureau of Economics and Statistics of the Province of British Columbia. I also propose to call before you Dr. Car^hothers, who is the Chairman of the Public Utilities Commission of this province, together with two members of his staff.

There has been no written brief prepared with respect to the evidence of the members of the Public Utilities Commission, but I bring them before the Commission in order to give this Commission whatever assistance we can offer in determining the operation and control of motor trucking in the province of British Columbia. They will be only too anxious to supply the Commission with any information which you may desire to have on that rather important field of transportation.

With your permission, Mr. Chairman, I shall now call upon Mr. Brown.

J. E. BROWN, called

MR. BRAZIER: Q. What is your position with the Provincial Government, Mr. Brown?

A. I am Assistant Director of the Bureau of Economics and Statistics.

Q. Would you now be good enough to read the brief which you have prepared.

A. Mr. Chairman and Commissioners: The Government of British Columbia desires to place before the Commission certain information and to express some views regarding the present distribution of the transportation burden and other related matters to the end that the Commission may be aided in its investigation and be the more able to recommend measures which will be to the general welfare of Canada.

An outline of this submission was forwarded to the Commission under the date of April 29, 1949. It is here proposed to repeat much of the argument appearing in that outline and in addition to incorporate the supporting material. It is felt that this procedure will provide a more integrated report than would be achieved if the statistical material were to be added merely as an appendix.

It is further proposed to confine our attention at this time to the subject matter outlined in paragraphs 2 (a) and (b) of the Commission's terms of reference as set out under Order-in-Council P.C. 6033 dated the 29th of December, 1948. This Government therefore respectfully requests that it be permitted to make such further amplifications of these topics as may be deemed necessary and to make representations relating to some or all of the remaining matters at any or all of the public hearings of the Commission which may be

held after this date.

A number of firms, industries and other organized groups from this province will be presenting briefs to the Commission in which they will seek to demonstrate the effect of transportation upon their industries and their unfavourable position, relative to their competitors, under the present freight rate structure. The Government of this province will, therefore, confine itself to a consideration of the overall situation.

The effects of a particular set of transportation costs upon a firm or localized industry can be fairly readily ascertained by reference to the cost-price relationships under which they seek to operate. It does not appear possible, however, to extend this type of analysis to cover all the diverse activities carried on in a large region, such as the province of British Columbia, without becoming involved in a great mass of detail as well as encountering numerous and perplexing problems of a statistical and analytical nature. Recourse has therefore been made to a much more generalized approach. In particular, this brief attempts to deal with the following topics as they relate to the overall problem:

- (a) The trading characteristics of this region.
- (b) The overall burden of transportation.
- (c) The distribution of transportation between agencies.
- (d) The present methods of pricing rail transportation.
- (e) Alternative methods of pricing transportation.
- (f) Proposals recommended.

Some appreciation of the transportation requirements of the Pacific Region can be gained from a knowledge of its

trading characteristics. While statistics covering inter-provincial trade are practically non-existent the main outline of this trade can be pieced together from an examination of the available statistics.

Table 1 shows the revenue freight, in tons, loaded and unloaded at stations in British Columbia by Canadian Railways for the year 1947. It is obvious that the excess of freight loaded over freight unloaded in any year must represent a net export from the province of that particular commodity while the reverse situation must represent a net import. That doesn't necessarily mean that they are the same. There might be more going out and more coming in; but the excess must represent the net, one way or another. There might be gross shipments. It doesn't necessarily mean that there are no gross shipments of the commodities. It will be seen from Table 1 that for only three of the sixteen categories of agricultural products listed, namely apples, potatoes and other fresh vegetables was there a net export by rail. If you will refer to Table 1, which is over the page, you will see to what I refer. These commodity groups are those listed by the Dominion Bureau of Statistics. They are broad classifications. In column 9 you have "net import of wheat". That is the difference between the amount not loaded at stations in British Columbia and the amount loaded at stations in British Columbia.

The third one is broken up into two parts, column 6, unloaded at stations in British Columbia, and column 7, that which is delivered to foreign connections through - I presume - waybills of some type. And those two, together, make the total amount. Column 7 represents that part which makes

only a temporary stop to pass on to another railway by a foreign connection. Likewise among the fourteen classes of animal and animal products net exports were confined to eggs, wool, hides and leather and other animal products (non-edible). Tracing the freight movements further it will be seen that, for mine products, there was a net export of coke, copper and other ore concentrates and various forms of refined non-ferrous metals. In all classes of forest products there was a heavy export movement. Table 1 is in two parts; the second page is where you have forest products over two million tons under export of various items, 46 to 51. Among the manufacturing and miscellaneous groups of commodities the important net export items were sugar, lime and plaster, fertilizers, newsprint paper, wood pulp, fish, and canned goods. They are major items which are on the export side, starting in around items 68, 69 and 72. The import side consisted of agricultural products and animal products with the few exceptions already mentioned, bituminous coal, salt, asphalt and other mine products and such additional products as a gasoline, petroleum oils, structural iron and steel, machinery and boilers, cement, automobiles and parts, household goods, furniture, paper board and wall board and miscellaneous manufactured goods. If you trace those items, they appear in column 9.

Table 2 presents the same data in a greatly condensed form in order to show the long term trend with respect to the rail shipments. The data is presented for the years 1928, 1932, 1936, 1940 and 1947. You will have broken down, for the main groups, agriculture, mines, forests and miscellaneous. If you examine the percentage distribution in column 2, for the years 1928, 1932, 1936, 1940 and 1947, you will find a

remarkably uniform pattern. Three per cent agriculture; this is for goods loaded in stations in British Columbia. Again, in 1940, it was only 3 per cent. In 1947 it was 6 per cent. But there is no very great difference over that period of years, one year to the next. The pattern has been fairly consistent throughout that period. And I think the same can be said for the unloaded. It will be seen that the general pattern has remained remarkably steady for this long period. In 1932 exports of agricultural products by rail exceeded imports as a result of a small inward movement of wheat while in 1947 large imports of bituminous coal altered the pattern for mineral products. That accounted for that slight variation. An examination of particular commodities over this period indicates only three changes of any significance. Unfortunately, the data is so bulky that I could not include it. But if you trace each of the commodities you will find coal, petroleum products and salt are the significant ones. In the first case the production in British Columbia has dropped off to some extent due to the depletion of the mines on Vancouver Island resulting in increased imports from Alberta while in the remaining two cases a portion of the imports by water, of salt and petroleum products formerly moved from the British Columbia coast inland to Alberta. In recent years however, the Prairie provinces have attained the position where they have a surplus of these commodities and we now have the movement reversed.

Tables 3 and 3A show the cargoes by commodity and weight loaded and unloaded at Pacific Coast ports to and from foreign countries for the year 1947. Without referring to each of these commodities in particular it will be seen that there

is a general similarity to those listed in Table 1. The most outstanding differences are the large volume of petroleum and petroleum products inbound from foreign countries as well as a fairly big tonnage of sugar and the large quantity of wheat and other cereals, outbound, representing, obviously, through shipments from the Prairie region.

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Further clues to the trading characteristics of this region can be gained from an examination of the distribution of employment among the various divisions of economic activity. Table 4 shows a distribution of employment for four selected provinces and for Canada for the years 1921, 1931, 1941. The provinces chosen were considered to be fairly representative of their particular region. It will be noted first of all that over the twenty-year period covered by the statistics there has been no marked change in the employment pattern of these regions although, in each case there has been a progressive shift from agriculture to manufacturing and the services.

If you wish to look at table 4, in Nova Scotia, for example, agriculture was 26% of the employment in 1921, and it dropped to 24% in 1931 and to 19% in 1941. The same trend is evident in British Columbia: 15%, 14%, 13% -- a gradual shift from agriculture to manufacturing. Manufacturing in British Columbia increased from 11%, it was about the same or a little higher in 1931, and by 1941 it was 15%. If you compare British Columbia with the Canadian or national average, we are very much lower in agriculture, considerably higher in fishing and logging, about the same in manufacturing, and a little higher in the trades and services.

Considering the particular break-down of employment, it will be seen that agriculture is of relatively less importance in British Columbia than in Canada as a whole or in the other provinces selected for purposes of comparison. It will be seen also that

fishing, logging and mining is of much greater importance in British Columbia than for Canada as a whole while in manufacturing British Columbia now follows closely the national average but in this respect is considerably below Ontario. When we turn to consider the distribution of employment (Table 5) among the manufacturing industries certain other provincial differences show up very clearly. Unfortunately in this instance the statistics apply to the year 1946 and therefore still reflect some of the distortions created by the war. Nevertheless it will be seen that in British Columbia almost 50% of the employment in manufacturing was engaged in the wood-using industries in contrast to only about 17% in the same group for the province of Ontario. Comparing further our distribution of employment with that of Ontario and Quebec, where we have just over 2% engaged in textile and textile products Ontario has 12½% and Quebec 25%, and similarly in the use of non-ferrous metals we employ approximately 5% to nearly 11% in Ontario and 7% in Quebec. Probably sufficient material has now been reviewed to arrive at a fairly definite conclusion regarding the trading characteristics of this area.

Roughly, the following pattern is discernible. British Columbia depends for much of its cereal foods, as well as for meat, butter, and cheese, upon other parts of Canada - principally the Prairies. From the same source, also, comes much of the poultry and livestock feed. This Province also looks to other sections of Canada, chiefly the central Provinces, for iron and steel, motor cars, household appliances, machinery and textiles. In turn the Pacific region supplies the other regions of

Canada, as well as the United States, with such products as apples, fish, fertilizers, lumber, newsprint and refined metals.

The character of the offshore trade is not dissimilar to the overland trade except in one or two instances. Outbound in addition to the commodities already mentioned, there is a fairly large volume of wheat and flour which obviously originated in the Prairie region. Inbound there are such things as petroleum and petroleum products, sugar, tea, copra, etc.

I have included here some data dealing with the volume of traffic, the tonnage moved, in order to give you some impression of the relative dimensions of the various agencies, in relation to other parts of Canada.

During the year 1947 the amount of freight loaded and unloaded at British Columbia railway stations amounted to 9,904,060 and 10,915,232 tons respectively. The total tonnage transported by rail, however, within the province must have been something less than the sum of these two figures since a part of the movement, no doubt originated and terminated entirely within the provincial borders.

Therefore you can see it entails a certain amount of double counting.

In the case of ocean-going shipping however, we can conclude that the total amount, both incoming and outgoing, amounted to approximately 7,000,000 tons. Of the strictly export movement roughly 4.9 million tons moved to market by water and at least 3.6 million tons (sum of column 8, Table 1) by rail. To this latter amount however, should be added an unknown part of the

freight delivered to foreign connections as given in column 7 of Table 1.

It is difficult to know just how much of that should be added, but a part of that would be through shipments and part would be material originating locally.

In addition to the foregoing tonnage of freight there was a considerable volume of local traffic carried by coastal shipping and by motor carriers for which there are no available records.

So we only have a partial picture of the total amount of freight moved within and to and from the province.

Having in mind the foregoing picture certain conclusions appear reasonably well founded. First, most if not all of the traffic is created by geographic necessity and represents a regional division of labour based upon natural advantages. Therefore, only under the most urgent necessity could this trading pattern be changed and then only at a decided loss to the region. In other words, the people of this Province have little chance, certainly in the foreseeable future, of escaping from the present trading arrangements and whatever costs they may entail. Second, the Province is rather unfavourably located geographically, having regard to the pattern of trade which it must follow. Most of the basic foods and much of the manufactured goods must be brought in from a distance. Likewise, the markets for the exportable surpluses are all at a considerable distance of which probably one-half are world markets subject to the full force of international competition. To some degree the disadvantage of the long rail haul from Eastern

Canada is mitigated by a cheaper water route, but to what extent is largely a matter of opinion.

Turning now to a consideration of the overall burden of transportation costs some measure of its relative importance can be gained from a regional comparison of the percentage of total effort, measured in employment, which must be devoted to this one aspect, of the economy. Table 6 gives the distribution of the gainfully occupied by provinces in the transportation industry for the year 1941. The use of data obtained at the last census provides one with information which has been collected on a reasonably comparable basis for each of the Provinces and also in considerable detail. The use of this material however, introduces a considerable time lag and the data is so organized that there is little possibility of measuring even crudely the amount of labour engaged in the private sector of transportation. Moreover it is necessary to distinguish between effort directed solely towards satisfying the transportation needs of a specific region and that which is undertaken on behalf of other regions. Subject to the foregoing limitations it will be seen from Table 6 that in four provinces (British Columbia, Manitoba, New Brunswick and Nova Scotia) over 7% of the gainfully occupied in 1941 were engaged in some form of transportation compared to a national average of 5.37%.

Unfortunately, the table should probably have included the national break-down or the sums. That is from Table 6. You are also given there the percentage of railway employment to total employment; British Columbia is 2.92, Alberta 3.34, Saskatchewan 3.22,

and so on. The lowest one is Prince Edward Island, 1.54. Then we have trucking employment to railway employment; the highest is Quebec, with 49.6, and the lowest is New Brunswick, with 22.7. Then you have total trucking, rail and water employment -- that leaves out air transportation and electric railway -- 6.04 for British Columbia and 4.15 for Ontario.

Moreover, it seems hardly open to question to state that British Columbia enjoys less through traffic than Manitoba and may possibly have a smaller volume of such traffic than either New Brunswick or Nova Scotia. One may therefore conclude with some degree of assurance that internal transportation represents a proportionately larger element of cost for this region than for most of the other areas of Canada (Newfoundland excepted).

In this instance we are referring to the total cost in relation to the operation of the economy. A greater fraction of our total effort must be devoted to transportation in British Columbia than in most of the other provinces.

One may assume that part of this extra burden is due to the rugged terrain and part to the wide dispersion of our resources. British Columbia is the third largest Province in terms of physical area in the Dominion. While much of this vast area is mountainous or otherwise unsuitable for settlement the Province still has a very widely dispersed population. Some impression of the extent of this dispersion can be gained from the following statistics:

<u>Area</u>	<u>Population (1948 esti- mates)</u>	<u>Approximate dis- tance from Van- couver (miles)</u>
Vancouver and Lower Mainland	622,000	- -
Lower and Middle Vancouver Island	187,000	70
Okanagan and Thompson River	104,000	300
West Kootenay	59,000	500
East Kootenay	22,500	650
Prince Rupert	25,000	500
Prince George	27,500	700
Peace River	11,500	1,250
Upper Vancouver Island and Adjoining Mainland	21,500	300
Other	2,000	- -
	<hr/> 1,082,000	

We have broken the province down into more or less homogeneous areas in terms of where people live. There is Vancouver and Lower Mainland, 600,000. Then there is lower and middle Vancouver Island, about 187,000; they are approximately 70 miles from Vancouver, if you want to picture Vancouver as the centre of the trading part of the province. Then there is Okanagan and Thompson River valley, 100,000; they are about 300 miles. These miles are not necessarily as the crow flies; they are approximately the shortest route that can be taken other than by plane, either road or rail. West Kootenay, 59,000, about 500 miles. East Kootenay, 22,500, about 650 miles. Prince Rupert, 25,000, about 500 miles. Prince George, 27,000, about 700 miles. Peace River is around 11,000, and at the present time it is about 1,250 miles by the method you would have to travel normally.

MR. BRAZIER: Q. What way is that method?

A. That would be to Edmonton and up, the only way you could make that trip other than by plane. Upper Vancouver Island and adjoining mainland, 300 miles, and then there are scattered groups throughout the province, which we just tossed in -- 2,000 people -- without specifying where they live.

The location of the natural resources has made this dispersion inevitable as the development of the Province has taken place. Mining deposits have been, and no doubt will continue to be uncovered at widely scattered points and generally in mountainous regions. Districts suitable for fruit growing and cattle raising are fairly remote from their chief markets and from their source of supplies, while the forest resources cover a very extensive area and involve much labour in moving the timber out to centres of manufacture and distribution. While the future growth of the Province may not cause a proportionate increase in the degree of dispersion it is difficult to foresee any conditions which would prevent an absolute increase in the population of the Province's hinterland.

I would hate to forecast how the population might be distributed, but I can hardly imagine that they will not continue to expand in the interior. I won't say that the distribution would be altered one way or the other.

Thus it seems very evident that geography and to some extent topography causes the burden of transportation costs to rest, if not more heavily,

certainly as heavy, upon this region as upon any other area of Canada.

Another point which has considerable significance in relation to transportation services is the extent to which alternative agencies can be effectively employed. Each agency is adapted to the carriage of particular commodities so that when a region can enjoy the services of all forms of transportation it stands to reap the benefits stemming from the most economic use of each. In this respect British Columbia is also at some disadvantage when compared to certain other regions of Canada. It is true that in addition to rail and road there is also present a fairly extensive system of coastal shipping. While in no way trying to minimize the advantages of this important segment of the transportation system it must not be overlooked that on the Pacific Coast, water transportation largely complements rail and road rather than supplementing them as in central Canada. Hence there are no economies resulting from a division of effort. As between road and rail, while the growth of trucking in this Province has been by no means insignificant in recent years, the rugged terrain has continued to impose severe limitations on the use of motor carriers. Moreover, such highways as can be provided can only be constructed at a very high capital outlay, an extra cost which must be borne either by the taxpayer or the shipper or both. Reference to Table 6 indicates that motor carriers are not used as extensively in this region as for example in Central Canada. It will be noted that whereas cartage and trucking employment represented 32% of the employment in steam railways in British Columbia,

the corresponding relationship in Ontario and Quebec was 39% and 50% respectively. Presumably if circumstances permitted it would be just as advantageous to use road transportation to an equal degree here.

The preceding paragraphs have attempted to give a short description of the geographic position of British Columbia in relation to its present transportation services and the economic disadvantages associated therewith. A very different problem arises when dealing with the Province's position in relation to the present freight rate structure. It is proposed to consider this phase of the question in the succeeding paragraphs.

I may say that at the present time our railways are the only type of transportation service which exemplifies this particular characteristic, and that is why they happen to be used as the example.

Railways have a monopoly on much of the transportation in Canada except at certain points and in certain areas. The convergence of two railways at some point or the presence of road, canal or other form of water transportation introduces an element of competition at those points of convergence or in the regions where these alternative methods of transportation exist. Since the railways have a monopoly in transportation, with the exceptions already noted, they are able to break up their market into sections and to charge different rates in these different sections for essentially the same service. As a consequence of this practice those areas which enjoy conditions of competition usually obtain much lower freight rates than do those areas which are not so favourably placed.

This discriminatory practice has been justified, however, on the basis of the peculiar cost relations that are supposed to be inherent in railroad operation. The argument runs somewhat as follows: Railroading is the type of industry in which the fixed or overhead costs are very large in proportion to the total cost. For example, Professor W. T. Jackman in his book "The Economic Principles of Transportation",* ⁽¹⁾ (Page 101) points out "that about 55% of the operating expenses . . . are constant and go on despite the changes in the amount of traffic carried." Further on he states (page 102) "we have dealt at some length with the sub-division of expenses because it is at the foundation of the making of rates. It is one of the most fundamental points in both the theory and practice of rate making . . .". It follows quite logically from this enunciation of the cost characteristics of railroading that traffic which contributes a portion, no matter how small, to overhead costs, reduces by that amount the overhead costs which must be borne by the remaining traffic. Hence, traffic which cannot obtain or enjoy low competitive rates is consoled in the knowledge that if the other regions did not have these low rates their own would be still higher. The working out of this theory has resulted, for example, in British Columbia paying higher rates than Ontario for nearly all traffic. Furthermore, if this hypothesis is accepted as valid there appears to be little grounds for any serious objection to the present situation.

There has been surprisingly little criticism of this theory of rate making although there has been frequent

(1) * University of Toronto Press, Toronto, Ont. 1935.

complaint about the resulting rates. Not all students of railway costs, however, are convinced that the cost relationship is actually what it is customarily described to be. The difference of opinion about the portion of total operating costs which must be treated as constant arises, in part, out of a difference in viewpoint between engineers and management, and in part on a mistaken identity of short for long run costs. Engineers tend to set up standards of maintenance which have little or no relationship to the amount of usage. Management on the other hand tends to adopt a more realistic attitude making costs of rendering a service conform to the revenues received for the service. In other words, while the acceptance of engineering standards of maintenance would place a large portion of operating costs in the fixed or constant category, in actual practice the railways do make their costs vary almost completely with the volume of business. Furthermore, this policy can be traced over a long period of time -- too long a period to permit the practice to be treated as a temporary expedient. In addition, much of this belief in the theory of high constant costs has been supported by too close an attention to the month to month operating results and a neglect to examine the long run results.

In support of this unorthodox position reference is made to the works of two prominent economists and to an unpublished study undertaken in another instance by the Provincial Bureau of Economics and Statistics.

Professor J. M. Clark in his book entitled "Studies in the Economics of Overhead Costs"⁽²⁾ deals at some length with operating costs of railroads. Three
⁽²⁾ University of Chicago Press, Chicago, Illinois, 1923.

references will be quoted here as they bear directly upon the subject under discussion. On page 258 Professor Clark makes the following observation:

"The usual method of describing the behaviour of railroad expenses is exemplified by Ripley's formula, which says that about half the operating expenses are constant and half variable while taxes and return on investment are regarded as wholly constant. Since these last two items absorbed, at the time of which Ripley wrote, about one-third of every dollar earned, the upshot was that two-thirds of railroads' costs were counted as constant and one-third variable.

Combined with this, however, goes a clear recognition of the fact that the 'constant costs' grow with the growth of traffic. Ripley shows that they have grown, over a term of years, substantially as fast as variable costs. Indeed, this is implied in his very assertion that constant costs remain persistently about two-thirds of the whole. They could not do this unless they increased substantially as fast as 'variable costs'."

Further on, after a fairly lengthy discussion of the relationship between costs per gross ton mile and density of traffic he states: (page 269-270)

"Here is a statistical hint of what a road may expect as traffic grows and its plant and organization grow with it. It tells a very different story from the formula which says that half the operating expenses are constant, yet it shows the whole outlay varying as if a part of it -- one-fifth

to one-tenth or less -- were independent of traffic. If the same method of study were extended to cover interest on investment and perhaps taxes, it would be found that they also vary with traffic, but not so directly as operating expenses. The constant element is larger than for operating expenses, and the variable element smaller. However, under present conditions of terminal congestion and high costs of real estate for terminal uses, it seems probable that the roads have reached a point at which investment increases fully as fast as traffic, wherever large cities have to be entered. It is not possible to secure accurate evidence on investment, as it is in the case of operating expenses."

In subsequent pages Professor Clark deals with the relationship between costs and daily fluctuations in traffic and between costs and seasonal variations. In connection with this latter he makes this statement:
(page 274)

"As for the effect of this rhythm upon expenses, this constitutes a statistical problem of extreme difficulty; nevertheless the main results stand out clearly. Operating expenses vary with volume of traffic, and vary just about half as much as traffic does. In other words, the figures bear out the generally accepted formula, showing that 'half the operating expenses are constant and half variable,' for these month-to-month fluctuations, but for no other type of movement."

Turning to a study by Professor K. T. Healy published some seventeen years later than the foregoing,

entitled "The Economics of Transportation in America"(3), we find much the same conclusions based on a different set of data. Professor Healy discusses the major divisions of railway expenses and attempts to show that, in each case, they fluctuate almost as much as traffic. Reference is made here to one or two of the points made by Professor Healy.

I might mention in passing that Professor Healy at one time was with the New York, New Haven and Hartford Railway as a cost engineer.

In dealing with Way and Structures Expenses he makes this observation: (page 179)

"For example, the standard of track necessary for safety or economical use is not a matter of scientific and precise determination. It is as much a matter of what one has been accustomed to or has been trained to expect, or can afford, as it is a calculable amount."

Further on dealing with the same item of expense he said (page 181)

"If we attempt to analyze maintenance-of-way expenses in terms of functional units we think first of such units as gross ton-miles or even car-miles, produced over a given line of railroad. Any analysis in these terms raises the question of what effect density of traffic has on unit expenses."

In answer to the question he raised in the preceding quotation he concludes as follows: (page 181-182)

It appears, then, that so far as Class 1 railroads are concerned, only at the very lightest densities

(3) Ronald Press Company, New York, 1940

of traffic can gross ton-miles or car-miles of traffic be added without incurring almost the full average expense per unit. It should be noted, of course, that this applies to the average density of a railroad system, and not for any particular section of branch or main line. The inference is, however, that even in the latter case the same relationship can be made to hold except at the minimum densities. The recently published data for the Southern Pacific Railroad in California, . . . confirm this.'

(Page 2332 follows)

Professor Healy later on refers to a study carried out by the Federal Coordinator in 1932 dealing with the attempt to relate total railroad operating expenses to traffic density. I may say he had some criticism of the study and he proposed an alternative. I quote his alternative. Professor Healy, however, puts forward a somewhat different method of attack, the major argument for which is given in the following quotation: (page 185-187)

"It is not possible, however, to add the expenses of all services and analyze them in terms of consolidated units, such as freight and passenger car-miles or ton-and passenger-miles combined, in order to analyze variations in over-all performance with changes in volume of business. Therefore, we must confine our efforts in this direction to a simple study of the relation of total revenues to total expenses. This relation may be expressed as the cents of expenditure necessary to get a dollar of revenue or as the ratio of operating expenses to revenue, ordinarily called the 'operating ratio'. If we view this ratio for the railroads of the country as a whole we find that it has not varied a great deal in spite of a very wide variation in the revenue.

Beginning with 1923 down through 1929, there was a nearly continuous downward trend in the 'operating ratio' without any marked increase in revenue. This trend was presumably due to gradually increasing efficiency of operation, because during this period there was neither an increase in revenue per unit nor a decrease in wage rates. With the sudden drop in volume of business, because of the depression, the

"operating ratio" increased temporarily to a high of 77 per cent either because the railroads were unable suddenly to reduce expenses or were unaware of the need for a reduction sufficient to keep the ratio in line. By 1933, however, the ratio was brought back to a level which was as low as any year in the 1920's, except the last two. Part of this sudden show of ability to make expenses keep in line with revenue was due to a more rigorous management technique resulting in deferment of maintenance, and part was due to the decrease in price of materials and wage rates accompanying the marked drop in volume of business. As revenue turned up after 1933 the operating ratio increased rather than decreased for a two year period due to increasing price and wage levels and the making up of some deferred maintenance. By 1936, the normal expectancy of a lowering ratio was forthcoming, but it was followed in 1937 by an upward rebound largely as a result of increased wages, the making up of more deferred maintenance and the sudden drop in volume which came in the latter part of the year. From this rather general analysis, it can be seen that there are many variables other than volume of business or density of traffic which affect the possibility of keeping expenses in general in line with changes in revenues. However, in spite of these extraneous elements, it is possible to see only a very small element of theoretically fixed expense in over-all expenses. At the level of the late 1920's apparently only 7 per cent of costs were of the fixed variety and even at the average level of

succeeding years the proportion was only 12 per cent." He arrived at those by making a scatter diagram, operating revenues against operating costs, and deriving the constant factor "A", and relating that to his operating expenditures.

Professor Healy concludes his discussion of the cost of transportation for railways, in part, as follows:
(page 197-198)

"The analyses further point to the fact that, under present conditions, costs are made to vary closely with the volume of traffic handled, except when especially light densities are involved. This means that average unit costs for carload traffic do not vary, as much as might be expected, with differences in density of traffic. It follows that the bidding for competitive or additional traffic by quoting low carload rates based on variable costs may easily prove to be unprofitable because the cost of handling the added business is apt to be far more than an estimated 50 per cent 'out-of-pocket' cost. In fact, the additional cost in the long run may be almost the same as the average over-all cost. This is particularly true when the traffic, which the railroad wishes to attract by low rates, is substantial in that it involves recovery from competitors which cover a wide territory as do trucks or which carry commodities furnishing a large proportion of the total traffic in particular channels, as do intercoastal steamships.

All this does not imply the inapplicability, in its day, of the older theory, which stated that additional traffic could be carried at little extra cost

because of the large elements of fixed items in cost, nor does it mean that that theory does not apply even now under certain conditions. The implication is rather that under present conditions of maturity, most main line railroad facilities, and the operation thereon have had a chance to become closely adjusted to the density of traffic handled and the revenue derived therefrom, so that average unit costs tend to be nearly uniform over a wide range of densities and the costs of handling additional increments of business are not likely to be much below the average costs. Furthermore, there are certain factors affecting cost which the older theory failed to recognize, possibly because of the lack of statistics to demonstrate them and possibly because they have only become controlling in recent years. These factors are, first, the ability of management to vary standards of physical facilities and service over a wide range to meet the needs of different densities; second, the general tendency for heavy density traffic to be in the more densely settled parts of the country with consequent higher costs and demands for higher standards; and third, the development of an ability on the part of management to keep expenses, even of the supposedly fixed type, in close relation to revenue, which is in general a measure of density."

It might be contended that the foregoing authorities have considered only the situation existing in the United States of America. The study made by the Bureau of Economics and Statistics dealing with Canadian railway

operating costs however, tends to confirm the general conclusions put forward by these two authors.

This study was undertaken in an attempt to trace the changing costs of railway operations in relation to the changing level of prices, volume of traffic, and technological improvements. The period under review was fairly lengthy starting with the year 1923. This period is characterized by the absence of any major change in the standard freight rates and by the inclusion of two periods of great economic activity, and one of depression. In order to eliminate the effect of changing price levels a special price index was constructed which covers the major items purchased by the railways." This index takes into account changes in the price of fuel, salaries and wages, new steel rails, and wooden cross ties, the costs of which represent over 80 per cent of the railways annual outlay for goods and services. The average of the prices for the years 1935-1939 inclusive was selected as a base.

Perhaps we can refer to the tables. Table 7 is for the Canadian Pacific Railway. Column 1 gives total operating costs at current prices as appearing in the publication for steam railways put out by the Dominion Bureau of Statistics.

The price index was constructed by using the average costs for these various commodities as given in the same publication, and it was a weighted aggregate price, and the weights were the average quantities used throughout the period. Being a historical study it was possible to take them that way. We made a brief check of this index against the Dominion Bureau of Statistics wholesale index,

and they seemed to move along fairly closely. Column 3 shows the deflated operating costs, or operating costs at constant prices for the C.P.R. for that period 1923 to 1947.

Table 8 is the same thing for the C.N.R., covering the same period. In chart 1 we fitted regression lines to develop operating costs against total locomotive miles. We wanted a unit of input, some measure of the amount of input of work for the railways, and I suggest in the text that probably gross ton miles would have been better, but it was not available at the moment. Therefore we used total locomotive miles. What we have here essentially is that a locomotive mile represents the amount of work done, or effort done by all the people in the railway from the section hand up to the president. That is essentially what it represents. We even go further in this instance to suggest that it also is a fairly good measure of the density of traffic, that is, the more locomotive miles you have the more traffic you must have had, and so on, and that it ties in very closely with that.

I may as well continue that argument one step further by reference to chart No. 3 which follows page 14. I have taken locomotive miles as the unit of input, and if you relate that to, in this case, freight locomotive miles, we break down the total of the locomotive miles into freight locomotive miles and relate that to the output or service rendered in terms of net ton miles. I will acknowledge the fact that in this net ton miles it is not just revenue net ton miles. It includes that amount used for the railways themselves. It is total net ton miles,

not just revenue net ton miles. You will notice there was a technological improvement. You can follow the cycle of years, if you are interested in that, and you start with 1924, 1925, 1926 and 1927, and away up to 1928, and back to 1929, and then right down to the base at 1933 which was the low point. Then it starts back up again, 1933, 1934, 1935, 1936 and 1937. In that particular group of years it departs from the earlier pattern and you have a new one set up. Then you have 1938, 1939, 1940, 1941, 1942 and 1943. We just fitted a regression line to the years 1938 to 1947.

I checked with a number of people in the railway business, and they informed me that there were quite a few technological changes during that period of years, 1937, 1938, 1939, and through there. That accounts for the fact that for a given number of locomotive miles you are able to produce a greater number of net ton miles. That represents technological improvements. That is more or less confirmed, while we are still on the subject, by chart 5, which is just two pages over.

Chart 5 is a ratio chart. It is for all Canadian railways from 1923 to 1947. It is the total number of man hours, the total number of net ton miles, and the total number of passenger miles. You will find that up to about 1937 they moved pretty well in unison, but from 1937 on, when net ton miles and passenger miles increased very rapidly, the number of man hours did not increase in the same manner any further. I think that supports the general idea that there was a considerable increase in the technology of railroading at that stage. Possibly

I can continue with the text.

Tables 7 and 8 show the total operating expenses of the Canadian Pacific and Canadian National Railways for the years 1923-1947 inclusive as they appear in the Dominion Bureau of Statistics publication "Statistics of Steam Railways of Canada". In addition these two tables show the index and the resulting deflated cost of operation for the same period. It should be noted here that no attempt was made to adjust the operating expenses of the railways for any of the subsidiary services so classed by the Dominion Bureau of Statistics. There is a small amount for grain elevators and a few such items which is included in operating expenses as listed in the breakdown in this publication. I did not make any attempt to remove those.

Having removed the effects of changing price levels total deflated operating costs were then related to a unit of work done by the railways. Probably the most satisfactory unit would have been gross-ton-miles but as this measure was not available for passenger service, it was decided to use the locomotive-mile as the best alternative. Charts 1 and 2, and tables 9, 9A and 10 show the relationship that has existed between deflated operating costs and total locomotive-miles by years for the period 1924 to 1947 inclusive for the two railways. The point that we wish to make is that when the disturbing element of a changing price level is removed there is a remarkably close correlation between the amount of work done in a given year and the expenses involved in doing that work.

Two observations follow:-- First it does not seem reasonable to suppose that any portion of the normal maintenance expenses which might have been shifted from bad to good times throughout such a lengthy period would have been of sufficient dimensions to materially alter the foregoing relationship of cost and input. Secondly, the relationship is fairly adequately described by a straight line equation of the general formula $Y = A + BX$. It is clear from this formula that as BX varies the relationship between A and BX cannot remain constant. One can only conclude therefore, that in the year to year results operating costs tend to fluctuate in close harmony with the amount of work done, and that any so-called constant element is of a relatively minor importance.

Improved rolling stock, more powerful locomotives, faster train schedules and better road beds have all contributed to a greater output of services for a given input of work. This can be seen fairly clearly in the material presented in charts 3, 4 and 5 and in tables 11, 12 and 13. These latter however reflect not the results of a change in the density of traffic but the improvements resulting from technological advances. We can only conclude that generally speaking operating costs of the railways vary almost directly with traffic when other factors such as technological improvements and changes in the price level are excluded.

If the present pricing is accepted as valid, it appears to create two dilemmas. First, there is produced a series of regional differences in rates which can hardly be considered anything else but discriminatory. Furthermore, there seems no basis for rectifying this

discrimination short of the introduction of some sort of Federal subsidy in favour of the injured region. Such subsidies, however, open the door to considerable regional pressure, inter-regional bad feeling and may at the same time result in distorting the economic development of the country. Secondly, there is the problem of determining the most economic means of transportation among the four or five agencies that now exist. For example, on a basis of average costs, it may be more economical to move certain traffic by truck than by railroad, but because of the extensive area served by the railways they may be prepared to move this bit of freight at considerably less than average cost, knowing that what they lose here they may make up somewhere else in the system, in this manner forcing out of business the better carrier.

If the premise is accepted that the fixed or constant costs of railroading are a relatively small fraction of their total operating costs one can no longer, on this basis, justify the wide differentials in rates that are evident in the present rate structure. This change in viewpoint supports the adoption of the principle of pricing transportation more nearly in relation to the cost of the service rendered. The application of this principle would tend to eliminate the present differential pricing and at the same time apportion the traffic between the various agencies in accordance with their most economic use. The cost of service principle would also distribute the rates between the various commodities on an economic and logical basis. It does not appear that this would lead to any material increase in

present rates on low value, bulk commodities, and therefore could not be considered to adversely affect this type of business.

Where a situation of joint costs exists, the problem of pricing each of the services might be related to their respective elasticities of demand, but again with the long run average costs being met by the combined traffic.

In conclusion, the Province of British Columbia advocates the application of the principle of pricing all forms of transportation on the basis of cost of service rather than value of service. The government is convinced that the adoption of such a practice would result in substantially uniform rates throughout Canada. In the first place, when all cost factors are taken into consideration, it is usually found that there is no great difference in unit costs between regions, and secondly that management can under the force of necessity do much to equate costs with revenues, section by section.

While the Board of Transport Commissioners has exercised control over maximum freight rates little or no supervision has been given to minimums. Presumably it was not formerly considered necessary to control these latter rates in that they were supposed to reflect the influence of healthy competition. A better recognition of the problems associated with an oligopolistic situation, however, suggests that the present area of controls is not adequate. Either there is cut-throat competition leading to the disappearance of the weaker contenders or some form of price leadership, which is a negation of competition. While in the short run certain groups may enjoy a

slight windfall as a result of any competitive warfare that may arise, it is very doubtful whether in the long run this type of competition is productive of the best transportation service which might be available under more suitable pricing policies. It is here suggested, therefore, that before a new rate is initiated or an old rate changed, particularly of the "commodity" or "competitive" type, the railways satisfy the Board of Transport Commissioners of the necessity and profitability of any such proposed rate. Moreover we do not believe that once favourable rates have been given to a locality or to an industry that these should be suddenly and capriciously taken away. This latter practice introduces an unnecessary element of instability into the business structure of a community. We have specifically in mind the frequent changes in the "Transcontinental rates".

It has been suggested that the Transcontinental rates are no longer justified because there is no competition. We feel that, whatever else may be said about those rates, that position is not supported by the facts.

MR. BRAZIER: If I may interrupt Mr. Brown at this point for a moment, we have just received a copy of the manifest of the first ship that sailed between Montreal and Vancouver, and which arrived in Vancouver last week. It is my intention to prepare an exhibit listing the goods carried on that ship with the quantities and the rates charged, and also a comparative table of the rail rates on the same commodities from the same points. Unfortunately we did not receive the information from the shipping company in time to have it prepared

this morning. With your permission we will prepare it as soon as possible, and I hope that by the time we are in Vancouver we will have it ready for filing with the Commission.

THE CHAIRMAN: You say that the figures will support what Mr. Brown says, that there is really no competition?

MR. BRAZIER: That there is competition.

THE CHAIRMAN: That the Transcontinental rates are fixed on competition which does not exist?

MR. BRAZIER: It does exist again now.

MR. O'DONNELL: Is that the ship of the Monsen-Clarke line?

MR. BRAZIER: The Monsen-Clarke line. It was the Eskdalegate.

MR. O'DONNELL: That is the one we informed Mr. MacPherson had sailed.

THE CHAIRMAN: You say the competition has returned now?

MR. BRAZIER: Yes. I think this will show very definitely the great variety of commodities that were brought from eastern Canada to Vancouver at rates substantially below comparable rail rates from Montreal to Vancouver.

MR. FRAWLEY: Any canned tomatoes?

MR. BRAZIER: All kinds of canned things, 75 cents for 100 pounds.

MR. O'DONNELL: Rail rates were too low and the ships started again.

MR. COVERT: At this time perhaps we had better give it an exhibit number for the record for purposes of

reference. It will be Exhibit 27, the manifest of the --

MR. BRAZIER: I would head it "Details from the manifest."

MR. COVERT: Of the ship --

MR. BRAZIER: The S.S. Eskdalegate.

EXHIBIT NO. 27: Details from manifest of
S.S. Eskdalegate.

THE CHAIRMAN: All right.

MR. BRAZIER: Q. Will you go on?

A Such rates should not be established unless it is proposed to treat them as the going rate for a reasonable period of time and when once adopted should not be changed until all factors including the effect on the competitive situation of the shippers has been taken into consideration.

This government also advocates that as many regional anomalies as possible should be eliminated. In particular there is the matter of the different regulations for east and west regarding mixing privileges as set out under Rule 10 of the Canadian Freight Classification. Unless there are very good reasons why special rules should apply to a particular section of Canada it is our contention that uniformity of rules and regulations should be the policy to follow.

It is recognized, however, that any sudden change in the present rate structure would create major dislocations in industry and the implementation of any new principles therefore must be undertaken in a slow and gradual manner. Especially would this be true in the case of competitive and commodity rates. In certain instances productive resources have been organized in particular

localities largely on the strength of specific freight rate differentials to their markets. There would seem to be little gain to the country if these productive units were rendered more or less useless by a rigid adherence to some new principle of rate making. The extra cost of either moving these units or expanding the productive capacities of the now more favourably located competitors would likely absorb any savings in freight costs for some time to come, especially when one considers the ramifications of any such shift. Each change in these rates should only be made after due consideration has been given to the competitive situation. In some cases the equilibrium between producing centres is extremely sensitive to changes in transportation costs, in others relatively insensitive. Thus not only would changes have to be slow but there would also be found a sequence of changes which would produce the least disturbance to the present distribution of our productive facilities.

As an indication of our belief in the soundness of the policy we are advocating, it is only necessary to point out that this principle of basing freight rates on the average long run costs is being applied by our Public Utilities Commission in the case of motor carriers.

It is our further belief that these motor carriers, through the heavy license fee and by means of the gas tax, are paying their proportionate share of the cost of construction and maintenance of the public highways and that in consequence, no major item of cost is omitted. In support of this opinion we submit the following data relative to provincial expenditures on public highways in British Columbia and provincial revenues from the operation of motor vehicles on these highways.

The first part is for the year ending March 31, 1944, and for the year ending March 31, 1948. The first column shows those expenditures made directly from loans. The second column shows those expenditures made from surplus. Both of those can be considered as capital, I think, without any question.

The third column is made from current revenue. Much, or a portion of it, I think, could be properly considered as capital expenditure, although it might be treated as maintenance, for ordinary maintenance. Of that eight million, in the last year, quite a bit was devoted to the black-topping of some of the highways which was considered as capital cost under the heading of maintenance. Then the revenues, gasoline tax, and so on, I think, are self explanatory.

Provincial Government Expenditures on Highways and
Revenues from Motor Vehicles, in British Columbia

EXPENDITURE

<u>Fiscal Year ended March 31</u>	<u>From Loans \$</u>	<u>From Surplus \$</u>	<u>From Current Revenue \$</u>
1944	626,736	-	2,402,401
1945	499,831	1,357,356	2,445,822
1946	1,630,703	1,732,501	2,706,072
1947	5,836,835	2,317,810	2,811,638
1948	6,629,494	6,269,299	8,165,599

REVENUE

<u>Fiscal Year ended March 31</u>	<u>Total Expenditures \$</u>	<u>Gasoline Tax \$</u>	<u>Motor Vehicles Licenses \$</u>	<u>Total Revenue \$</u>
1944	3,029,137	3,139,025	3,091,869	6,230,894
1945	4,303,009	3,257,146	2,996,695	6,253,841
1946	6,069,276	4,330,543	3,218,144	7,548,687
1947	10,966,283	5,682,094	4,457,795	10,139,889
1948	21,064,392	9,295,743	5,613,699	14,909,442

SOURCE: Public Accounts.

It is hardly proper to consider the total capital expenditures for highways for a particular year as the annual capital cost. If it were possible to obtain the amortized value of the capital expenditure one would have a much more satisfactory basis for determining whether motor vehicle users in general are contributing an adequate amount to construct and maintain the highways of which they are the chief user. The following data, while limited to one year are in a much more acceptable form:

Provincial Government Funded Highway Debt and Annual Charges Thereon

Fiscal Year: Ended March 31, 1945	Interest on Highway Debt	\$2,003,892	(1)
	Payment to Sinking Fund	1,553,974	(1)
		3,557,866	
	Add Maintenance, as above	2,445,822	
	Total Expenditure on High-ways	\$6,003,688	
(1) From: Dominion Bureau of Statistics, Canada Year Book, 1947, P. 684. March 31st.			

I assumed the \$2,445,822 was from the previous table, and I consider that as expenditures making an annual cost of \$6,003,688.

The highway debt outstanding, at this date was \$46,813,262 so that the sinking fund payment was sufficient, if maintained, to retire the debt in thirty years, which I think is a reasonable period. Since the corresponding revenue was \$6,253,841 the motor vehicle users appeared to bear their full share in that particular year. The amortized costs of the heavy capital expenditures of the last few years will raise the annual costs quite appreciably but at the same time the revenues have more than doubled. Finally since the commercial vehicles are heavy consumers of gasoline per unit of distance travelled and in addition bear more than proportionally heavy licence fees there seems little doubt that the motor carriers pay their full share of the cost and maintenance of the public highways. It is admitted, however, that motorcarriers have one advantage over railways under the present arrangements in that they are not compelled to assume personal responsibility for large quantities of capital which must be tied up in the construction of rights-of-way.

It is noted here that large sums of federal money have been spent in establishing an extensive canal system in central Canada. Furthermore, shippers using these waterways are exempt from all tolls or charges which might be used to

pay for the construction and maintenance of these waterways. This introduces an element of unfairness to other regions in that the central provinces not only enjoy any natural advantage attached to this means of transportation, but also have had lower than normal rates from all forms of transportation because of this subsidization of the inland shipping.

Lastly, where in the national interest, it is necessary to subsidize an industry this should be done by some means other than through adjustments in freight rates. In our opinion, it is unsound and unfair to require one group of shippers to subsidize another group as prevails under the present rate structure.

THE CHAIRMAN: Q. What are your initials, Mr. Brown?

A. They are J. E.

MR. BRAZIER: Mr. Chairman, before there are any questions asked of Mr. Brown, on his brief, I would ask for permission to file with the Commission copies of a publication issued by the Department of Trade and Industry of this province, entitled "Regional Industrial Index of British Columbia, 1948 Edition." I do this for the purpose of giving to the Commission such information I can about the industrial activities of this province, the population, and the means of transportation available to the different sections. We put this document before you with some qualification: First, some of the data used goes back to the year 1941; but it is, unfortunately, the latest which is available. Secondly, it does not deal with the three large metal and pulp areas in British Columbia, Vancouver, Victoria and New Westminster. With those qualifications, I

would ask permission to file this document as exhibit 28.

THE CHAIRMAN: Very well.

EXHIBIT 28 filed by Mr. Brazier: Booklet entitled "Regional Industrial Index of British Columbia, 1948 Edition.

MR. BRAZIER: Mr. Chairman, I would like to draw the attention of the Commission to the back of this book where there are three maps; and of the three, the third map "British Columbia Population Distribution" should be of some interest. The other two maps which show electoral districts, and so on, would not be of any particular interest to you.

THE CHAIRMAN: Does that map form part of the booklet?

MR. BRAZIER: Yes, Mr. Chairman, it is in the booklet, exhibit 28.

MR. SHEPARD: Mr. Chairman, I do not know if we are to follow the same procedure here as elsewhere, and have the provinces ask questions first.

THE CHAIRMAN: Yes, I think so.

MR. COVERT: Mr. Chairman, I did not want to disturb the witness before, but I think for the purposes of the record, that we should have marked as exhibit 26, the various tables which form part of the brief which has just been submitted. That would include tables 1 to 13, and charts; 1 to 5. And I think, perhaps, if any reference is made to them, the reference might be to a part of exhibit 26 of this record.

THE CHAIRMAN: Yes. Does anyone wish to ask questions?

EXHIBIT 26: filed by Mr. Covert.
Tables 1 to 13 and charts 1 to 5,
presented as part of submission
by the Province of British Columbia.

CROSS EXAMINATION BY MR. SHEPARD

MR. SHEPARD: Q. Mr. Brown, I would refer first, to exhibit 26, table 3 and table 3A. Table 3 has as its heading: "Cargoes Loaded at Pacific Coast Ports of Canada for Foreign Countries by Commodities - 1947". I was wondering if you had any information as to the destination of the cargoes loaded at Pacific Coast ports in 1947?

A. I believe that could be supplied.

Q. More particularly, I was interested in the movement through the Panama Canal to eastern Canada. Could you answer that?

MR. BRAZIER: Mr. Chairman, I would submit that the answer is: That in 1947 there were none.

THE CHAIRMAN: You say there was no movement?

MR. BRAZIER: No, Mr. Chairman. There was no movement from British Columbia to the east coast in the year 1947 or vice versa, so far as we are aware.

MR. SHEPARD: Q. So that would answer the question I had in mind about table 3A, which is headed "Cargoes Unloaded at Pacific Coast Ports of Canada from Foreign Countries by Commodities - 1947." None of these would have originated; no shipping came from eastern Canada?

A. That would be excluded from either of these tables because these are foreign countries.

Q. Yes. And on page 6 of your brief - it is just a small point, - but it includes a reference to Manitoba which, I thought, I should just clear up. It says:

"Subject to the foregoing limitations it will be seen from table 6 that in four provinces (British Columbia, Manitoba, New Brunswick and Nova Scotia) over 7 per cent of the gainfully occupied in 1941 were engaged in some form of transportation compared to a national average of 5.37 per cent."

A. That is not in the table, but it could be computed from the table.

Q. And you were referring to the total employees at the shops in British Columbia as being 2.92 per cent, and in Manitoba, as being 5.03 per cent?

A. That is right.

Q. But you realize, of course, that there are the Transcona shops, the Fort Rouge shops, and the Western shops of the two railways, in Winnipeg, and that those shops represent a substantial amount of employment, inasmuch as they service the whole of the west, so far as the two railways are concerned.

A. Well, that is true, yes.

THE CHAIRMAN: Are they counted as transportation or manufacturing?

MR. SHEPARD: Q. I presume from these figures that all the employed, by the railways in all the provinces, are included? I did not want to leave the impression that that was labour expended for the benefit of Manitoba only which caused that percentage to be as high as it is?

A. The question you raise might be examined further. The heading is "Gainfully occupied." It is not an industrial breakdown. It is an occupational breakdown. But I could not answer at the moment positively whether the heading of table 6

is "gainfully occupied", that is, by occupation.

Q. But if it is occupied in the province in the transportation industry?

A. I would have to check whether it is industrial or occupational.

Q. I gather that there is a good deal of employment in Manitoba which is for the benefit of the other regions, that is other than Manitoba?

A. I suggested that further up, I think.

Q. And at page 9, my next reference is part way down, in the second paragraph:

"Engineers tend to set up standards of maintenance which have little or no relationship to the amount of usage. Management on the other hand, tends to adopt a more realistic attitude, making costs of rendering a service conform to the revenues received for the service."

I presume that the idea behind that statement is that maintenance costs are within the control of management?

A. They could be, yes.

Q. Could be, or are?

A. I say they could be. I do not say that they are.

Q. And that is as far as you would like to go: that they could be? And are you suggesting, or would it be fair to suggest to you, that in the past, maintenance costs have been geared to revenue, and that the railways have spent amounts on maintenance more freely in times of buoyant revenue than in times of lower revenue? That is, I think, more or less what you suggest here?

A. I suggest that that is inferred from the results of the various charts.

Q. Would you go along with me this far: That what the railways have, in fact, spent on maintenance in the past, which is, perhaps, not geared to revenue, is not necessarily what they had to spend in order to get a satisfactory standard of maintenance?

A. Perhaps if you would not mind repeating that question again; I am not sure that I follow you.

Q. I am trying to work through from the starting point: that maintenance costs could be within the control of management, a matter of management policy?

A. That is right.

Q. Then, that being so, or assuming that it is so, you say it could be. Let us assume that it is so, then would you agree that it is possible, that in the past, the railways have - the level of maintenance spent by the railways might be higher than what is actually necessary to do the job?

A. The level of expenditure might be higher than what is necessary?

Q. Yes?

A. I would have no way of knowing.

THE CHAIRMAN: Q. It could be what?

A. Whether the actual amount they spent was adequate or inadequate.

MR. O'DONNELL: Q. You do not know that?

A. No.

MR. SHEPARD: Q. I am asking you a theoretical question, and all you can give me is a theoretical answer. I quite appreciate that, but my point is: If we assume that maintenance costs are within the control of management, and, perhaps are geared to revenue, that the amount spend on

maintenance is not necessarily the amount that had to be spent to keep the railways operating in a proper manner.

MR. BRAZIER: Are you referring to a particular year?

MR. SHEPARD: It is a very general question that I am putting.

THE CHAIRMAN: Does not the brief answer that? It says that management tends to make costs conform.

MR. SHEPARD: Q. I think it does, Mr. Chairman; but I wanted to see if I could get any amplification of it. He does use the word "cost." In other words, it is in the control of management; and I wondered if he had anything to say as to whether the costs which have been incurred by the railways have been necessary costs or not?

A. I have no way of knowing.

Q. Then, turning to page 11, at the bottom of the page, your last reference to Professor Healy:

"It appears, then, that so far as class 1 railroads are concerned only at the very lightest densities of traffic can gross ton miles or car miles of traffic be added without incurring almost the full average expense per unit."

I just wondered. You have, I take it, more or less adopted that statement in what follows in your brief. Is that a correct assumption on my part?

A. In general, yes sir.

Q. And I wondered if you had taken into account the evidence with which I am sure you are familiar, in the previous rate cases as to traffic density. It was Mr. Newman of the Canadian Pacific Railway, I think, in the

Twenty per cent case, who indicated that traffic density in Canada was, roughly, 50 per cent of that in the class 1 United States roads?

A. I had not taken that into consideration.

Q. You did not consider it?

A. No.

Q. I would be interested to know, on that quotation, just what meaning you attach to the phrase in the second line: "... at the very lightest densities...."?

A. I am not sure whether Mr. Healy expanded that idea or not. I could look it up.

Q. How would you weigh that phrase in the light of the fact that the Canadian densities are, roughly, 50 per cent of the United States?

A. No, I had not considered that at all.

Q. Then, on page 14, the last sentence of the first paragraph - it is about two thirds down the page - you say:

"The point that we wish to make is that when the disturbing element of a changing price level is removed there is a remarkably close correlation between the amount of work **done** in a given year and the expenses involved in doing that work."

A. That is right.

Q. This: "... remarkably close correlation..."

I wondered if that phrase could be amplified by an expression of opinion from you as to whether that resulted from necessity or from deliberate management policy .

A. I am afraid I cannot say what went on in the minds of management.

Q. You have not, offhand, any opinion?

A. No. As to why there was that relationship; but the facts suggested there was that relationship? And it could be a matter of management policy?

A. Yes, it could be a matter of management policy.

MR. O'DONNELL: And it could be something else, also;

MR. SHEPARD: I shall leave that for you.

MR. BRAZIER: The witness is being very clear in stating that he does not know what it is.

MR. O'DONNELL: Surely. That is all I had in mind.

Page 2365 follows

MR. SHEPARD: Q. On page 15, Mr. Brown, the first complete paragraph:

"If the present pricing is accepted as valid, it appears to create two dilemmas. First, there is produced a series of regional differences in rates which can hardly be considered anything else but discriminatory."

I wondered what you had in mind as a criterion for regional differences in rates; would the criterion be regional costs? What did you have in mind

A. No, I think I had in mind here the rate levels that have existed in Canada, the general rate levels.

Q. So that is what you mean by this statement: ". . . is produced a series of regional differences in rates"?

A. That is right -- rate levels, if you like.

Q. What you have in mind is a uniform over-all level of rates?

A. Yes.

Q. Right across the country. And I presume that would be the same answer to the next paragraph, the first sentence:

"If the premise is accepted that the fixed or constant costs of railroading are a relatively small fraction of their total operating costs one can no longer, on this basis, justify the wide differentials in rates that are evident in the present rate structure."

You are not referring there to special commodities or one region against another

I had particularly in mind the regional levels of rates that you find throughout the country.

Q. But you are not relating the regional rates to regional costs in any way

A. No.

Q. Then miss out one sentence and go on to the one following, Mr. Brown:

"The cost of service principle would also distribute the rates between the various commodities on an economic and logical basis."

I wondered if perhaps you would care to expand on that phrase, "an economic and logical basis," as to what you mean by that?

A. Yes, I could. I again have to quote the American experiences. Professor Healy was able to dig up this information, and it applied to the year 1932.

Q. Is that in his book?

A. It is in his book, on page 165. He said there:

"In 1932 the average car of l.c.l. freight carried only 3.6 tons, compared to the carload average of 35 tons."

Now, that is roughly ten to one; I would therefore think that if it costs approximately the same to move a car you could have a difference in rate of ten to one and still abide by the principles here suggested.

Q. I see; you are not suggesting anything like a constant rate for a car of any number of different types of commodities?

A. I am afraid you will have to ask that again.

Q. You are not suggesting that a car of freight

should be moved at so much a mile, irrespective of what is in the car

A. Well, that is approximately what it would ---

Q. That is approximately what you have in mind?

THE CHAIRMAN: Q. What is your answer?

A. What is the question once more? Perhaps I am not clear.

MR. *Shepard*: Q. My question was, are you suggesting that a car of freight should be moved at a certain rate irrespective of what is in that car

A. Well, no, not precisely. I mean, in some commodities they require more careful handling; there is more cost involved say in loading or unloading; there is ancillary cost as well as just the moving of it.

Q. Well, I think you have made it clear that you are departing from the value-of-service principle to the cost-of-service principle?

A. Yes, I think that is right.

Q. But do I take it that you are departing from the cost of the commodity moved as bearing any relationship to the freight rate, the value of the commodity moved

A. Yes, I would say.

Q. Then on page 16, Mr. Brown -- I won't keep you much longer -- the second sentence in the second paragraph on the page:

"The Government is convinced that the adoption of such a practice" --
that is, the principle of basing the cost of transportation on the cost of service --

"would result in substantially uniform rates throughout Canada."

Would you care to enlarge on the phrase "substantially uniform rates"?

A. No, I think I will leave it just as it is. The rates should be uniform as far as we can see.

Q. Then in the next sentence you go on:

"In the first place, when all cost factors are taken into consideration, it is usually found that there is no great difference in unit costs between regions .

What do you mean by unit costs between regions?

A. Well, possibly gross ton-miles, for one; possibly the car-mile.

Q. I suppose you are familiar with the argument advanced by the Province of Manitoba in the mountain differential case?

A. Yes, to some extent.

Q. And the figures shown as the net revenue left out of every dollar earned after dollar spent on the prairies and in the mountain region; would you say that that did not indicate a difference in cost between regions?

A. Well, I have to express some feeling of uncertainty about the basic data.

Q. That we use. I have heard about the feeling of uncertainty before. But that, I take it, is your complete answer to that question, is it?

A. I think so, yes, sir.

Q. Than going a little farther down on the page, Mr. Brown, about two-thirds of the way down the page:

"It is here suggested, therefore that, before a new rate is initiated or an old rate changed,

particularly of the 'commodity' or 'competitive' type, the railways satisfy the Board of Transport Commissioners of the necessity and profitability of any such proposed rate."

Now, I wondered whether that sentence amounts to an expression of this opinion, that if competitive rates are too low they should be raised?

A. Ultimately.

Q. Ultimately?

A. Yes; you have to read it in the context.

Q. Yes, I remember you go on to explain that it dislocates the economy if it is done too quickly or too frequently. Then what criterion would you apply, or have you any ideas as to what criterion might be applied to determine whether competitive rates are too low?

A. Well, I presume that the rate would have to demonstrate its profitability, shall we say, more or less. It would not have to be as profitable as another rate, but it should not be necessarily unprofitable. It might be just covering its average long-run cost. If it covered its average long-run cost without loading some other part of the traffic, that would be satisfactory.

Q. Would average long-run costs in your view include something more than operating costs, something more than out-of-pocket expenses

A. Oh, it would include more than out-of-pocket expenses, yes.

Q. It would include a proportion of carrying charges and so on, would it.

A. Well, by carrying charges ---

Q. I mean the fixed charges and the capital costs, capital carrying charges of a railway?

A. Yes, I think it would have to include a portion of that.

Q. Then my next question is a theoretical one, because I know that you do not agree with the two premises I am going to give you. Supposing that the transcontinental rates, which you have spoken of in this paragraph, were lower than the rates for a competing form of transportation, and that they were lower than necessary to provide a reasonable return to the railways, would you say they should be raised?

A. Well, I think I have answered that in general.

Q. Your answer would be yes, to be consistent with the general position you have taken

A. And considering the timing element.

Q. With that qualification of restriction?

A. Quite.

Q. As to time. Then, Mr. Brown, the last paragraph on page 19 ---

MR. FRAWLEY: Last but not least.

MR. SHEPARD. But not least.

Q The last sentence:

"In our opinion, it is unsound and unfair to require one group of shippers to subsidize another group as prevails under the present rate structure."

I think I would agree with that statement if there were

a full stop after the end of the secone last line, after the word "group", but you go on to say "as prevails under the present rate structure", and I wondered what you had in mind by that

A. Well, there would probably be the difficulty of presenting specific rates and specific costs. Probably I might be at some little loss to give you a specific example.

Q. Well, that is fine. That is all, thank you.

CROSS-EXAMINED BY MR. FRAWLEY

Q. Mr. Brown, we will move ~~two~~ paces west and see what it looks like. Mr. Brown, I take it that the burden of your presentation is contained on page 16 when you say that you believe in the principle of pricing of forms of transportation on the basis of cost of service rather than value of service. I think you told my friend Mr. Shepard that you do not believe in pricing or regional rates on regional costs. Now, as to that we are clear. That was the position you took in the mountain differential, and that is the one to which you adhere now? Just assuming ---

MR. BRAZIER: Say yes or no , please.

THE WITNESS: Yes.

MR. FRAWLEY: Q. If it were assumed--I know that your efforts in the mountain differential case were directed towards establishing that there were no additional costs in the Pacific territory, but, even if we were to assume that there were additional costs in Pacific territory, your proposition is that the rates in Pacific territory should not therefore and

thereby be any greater than in other regions?

A. Essentially, yes.

Q. Essentially that is your proposition. In other words, that is why you say that the adoption of the practice of pricing of forms of transportation on the basis of cost of service rather than value of service would result in substantially uniform rates throughout Canada; in other words, what you mean is, if you eliminate regional costs, certainly, then you should have one single general level of rates throughout Canada?

A. Yes.

Q. And that is what you advocate

A. Yes.

Q. In other words, from Halifax to Vancouver there should be one general level of rates?

A. That is right.

Q. Of course, you would agree that there might have to be departures from that general level to take care of competition?

A. Yes; I would say that you would still be abiding by the general principle if a particular agency was prepared to meet competition and reduce its rates to some extent, provided it did not try to make up the loss from that.

Q. Well, that would go to the degree of supervision and examination that entered into the making of the competitive rate, I take it; that is right?

A. I am not sure that I understand the question.

Q. I mean to say, you would want the competitive rate to be compensatory?

A. Well, it did not actually have to be

compensatory, but it must not be a loss rate, shall we say.

Q. Well, isn't that the same thing? You surely want it to be compensatory?

A. It might just break even.

Q. Well, all right; that at least would be compensatory; I mean, that surely takes ---

MR. BRAZIER: I do not think Mr. Brown agrees with your definition of compensatory.

MR. FRAWLEY: Q. Well, I do not think there is any difference between us, then. Elaborate, Mr. Brown, and tell me what are the principles which would enter into the setting up of these competitive rates, superimposed upon your uniform general level of rates?

A. Well, for example, supposing it was determined, in the wisdom of say the Board of Transport Commissioners or some other Board, that the railways were entitled to a reasonable return on their investment.

Q. Yes

A. And then, having set that, they decide that they would wish to meet competition in some particular area; well, they could not then offset a drop in that ---

Q. Try not to face me so much; I know it is difficult, but I want the Commissioners to hear you; it is much more important for the Commissioners to hear you.

A. They could not offset a reduction in that rate by an increase in some other rate.

Q. I am simply putting it broadly; there would have to be a careful examination by the regulatory body of the constituent elements of the competitive rate that was sought to be established?

A. Certainly.

Q. Isn't that a fair way to put it?

A. I would say so.

Q. Then, apart from competition, there might be other departures from the general level of rates; I take it that you would not eliminate the establishment from time to time and place to place of special commodity rates?

A. Well, I think the remarks I have already made would apply again to the situation you are suggesting.

Q. And of course other basic principles like length of haul would have to be taken into account in fixing, but still adhering to your principal proposition that there must be a general level of rates throughout the country?

A. That is right.

Q. All right; now I think I understand what you mean by what you say on page 16.

THE CHAIRMAN: When you say a general level of rates, Mr. Frawley, have you in mind a level which the rates would never exceed, although they might go below them for competitive and other purposes?

MR. FRAWLEY: No; I think the witness is agreeing with me in this proposition, and I will put it to your lordship, if the witness will agree: that the general class rates, which is the basic foundation or fabric of the freight rate structure --

Q. You agree with that, do you not, that the class rates are the fundamental rates in the structure

A. Yes.

MR. FRAWLEY: That those class rates should be

the same from Nova Scotia to British Columbia, on a mile-for-mile basis.

THE CHAIRMAN: Should be the same, or should be acted upon

MR. FRAWLEY: Well, first of all, I think there is an expression that is used, and I will put it to the witness.

Q. Does your proposition mean that there should be mile-for-mile parity in the class rates?

A. Yes.

MR. FRAWLEY: That, I think, is precisely what is meant, sir; at least, it is what I mean in the questions I am putting to the witness, because it is, of course, Alberta's proposition, and that is why I am putting it to the witness. Then you superimpose upon this mile-for-mile parity in the class rates the necessary departures for commodity rates and competitive rates and the other things ---

THE CHAIRMAN: Which are all below the class rates.

MR. FRAWLEY: Which are all below the class rates, that is right, sir.

Q. I was going to ask you for an illustration of what you were proposing, and that is the illustration in answer to the Chairman. It is the class rates, because they are the maximum rates, they are the basic part of the structure.

THE CHAIRMAN: Well, the class rates being assumed, I suppose, to be sufficient for the service rendered, and the exceptions from the class rates all

being below, competitive, and so on.

MR. FRAWLEY: That is right, sir.

THE CHAIRMAN: Where is the compensation to come from?

MR. FRAWLEY: I am not sure that I follow your lordship.

THE CHAIRMAN: Well, the railways are entitled to certain class rates; they are supposed to be just. Now, if you have departures from them, all below those rates, you see -- competition brings lower rates -- and the other factors that you have mentioned, where is the compensation to come from?

MR. FRAWLEY: Well, of course, my proposition does not admit that the lower rates should be ---

THE CHAIRMAN: I want to know from Mr. Brown.

MR. FRAWLEY: Well, all right, I will put it to Mr. Brown.

Q. Where would the compensation come from in connection with these lower than class rates?

A. Mr. Chairman, I can visualize that possibly in certain instances the railways might wish to forego a portion of their earnings, shall we say -- not their operating revenue, but their profit, a portion of their profit -- in order to retain that bit of business, in which case their total profit would fall off by the amount that they had foregone; but I think, in line with class and commodity rates, if I may say so, many commodities are handled on a special basis, they may even have special cars, and the cost of those, the cost of rendering that service, may depart quite appreciably from the normal cost say of a class 10 rate.

THE CHAIRMAN: Q. Depart in which direction, up or down?

A. Depart down, be less; and so they might have a special commodity rate which actually would be fully compensatory.

Q. Which they could afford to give them?

A. That is right.

Q. Because of the cost to them being less.

A. That is correct.

Q. Yes, I see that. Then one way or the other the compensation would be found in the railway itself, either out of its profits or out of the lesser cost of rendering the service?

A. That is right.

Q. You would not go beyond that range; all right.

MR. FRAWLEY: Q. And I take it, Mr. Brown, that in no case should the regulatory body permit the railway to carry traffic at less than a rate which returns them their full out-of-pocket expenditures?

A. Well, I do you mean out of pocket?

Q. Yes, I mean just that.

A. Literally out of pocket?

Q. Literally out-of-pocket expenditures.

A. Well, I do not think that would be a satisfactory basis.

Q. Certainly they must always get their out-of-pocket expense plus as much more as they can against fixed charges as is possible?

A. Well, I should think they would need to cover their average long-run cost, but you must remember you have a situation now, this is the situation as it is, and

what in a sense we are advocating here is something that might not be achieved in twenty-five years, or fifty years -- I don't know.

Q. What is it? Tell me; I want to be clear about it. What is it that you are advocating that might not be achievable in twenty-five years

A. As I suggest here, that if you make any very sudden change in the rate structure as it now exists you may create considerable dislocation among various industries located in various parts of the country, and I do not think there is any advantage in creating havoc just to achieve some say better pricing policy.

Q. Mr. Brown, let us see how difficult this is, now. There are four or five rate areas in Canada; there is the eastern area, of which the maritime forms a part, and which is taken care of by the Maritime Freight Rates Act; is that right?

A. Yes.

Q. Then there is the Superior region?

A. Yes.

Q. The Prairie region, and as of now the Pacific region?

A. That is right.

THE CHAIRMAN: Well, does the Pacific region still exist, in view of the abolition of ---

MR. FRAWLEY: I say as of now. It won't exist separately after the 1st of July, and that is precisely the point I was coming to -- after the 1st of July.

THE CHAIRMAN: That is what I mean, Mr. Frawley. When I said "now", I meant from the 1st of July.

MR. FRAWLEY: Yes, sir; that is exactly what I was going to elaborate on. After the 1st of July, just as suddenly as the last day of June passes into the first day of July, there will be no more Pacific rate area.

Q. That is true, isn't it?

A. That is as I understand it.

Q. That is true. Then why could there not be a complete levelling of rates to the lowest one or to something in between -- I am not at the moment discussing that -- but why could there not be the elimination of all of the four classes, and make it one Canadian rate area?

A. Well, I have tried to suggest in the case of certain situations where they may be extremely sensitive to changes, and other competing groups may be relatively insensitive -- for instance, I do not know what the rate might be on ores, metallic ores, I do not know whether it is high or low or adequate or inadequate, but supposing it were inadequate and it was found necessary to raise it to make it adequate, well, again, I do not even know the true competitive situation but I rather suspect there are no competing areas, and that a change in that rate might not create any disturbance, but that a change in certain other rates, probably affecting some other commodities in which there are competing areas, would disturb the balance.

Q. Mr. Brown, are you coming around to the position that maybe the removal of the mountain differential might disturb some relationships in other parts of the country?

THE CHAIRMAN: Mr. Frawley, you are raising quite

an important point now, and we have to adjourn a little earlier today, so we will adjourn now until half-past two.

---The Commission adjourned at 12.35 p.m. until
2.30 p.m.

(Page 2381 follows)

Victoria, B. C.

June 22, 1949

AFTERNOON SESSION

--- The Commission resumed at 2.55 p.m.

J. E. BROWN, Recalled

CROSS-EXAMINATION by MR. FRAWLEY (Continued)

Q Mr. Brown, would you look at page 15. I want to continue for a moment what I was discussing with you. You say there:

"If the present pricing is accepted as valid, it appears to create two dilemmas. First, there is produced a series of regional differences in rates which can hardly be considered anything else but discriminatory."

I take it that your proposition is that first of all you have tried to show that it does not cost any less to carry traffic in Ontario and Quebec than it does in the Prairies or British Columbia, let us say, when the cost of service principle you have enunciated is applied? Is that right?

A I am not sure that I follow the full inference of your statement.

Q In a broad way you have endeavoured to show that lower cost does not necessarily follow greater traffic density.

A That is correct.

Q And therefore from that point of view there is not any good reason why rates should be lower in Ontario-Quebec, where traffic is denser, than in British Columbia or on the Prairies?

A That is correct.

Q But I put it to you, suppose it could be demonstrated, perhaps by rejection of the principle you have endeavoured to establish, or for any other reason, that it does cost less down there in Ontario-Quebec because traffic is denser, you still say that there should be a general level of rates on a system basis?

A Well, I think the stand we are taking, although you have given me a sort of hypothetical case --

Q Yes, I am just assuming now. That is quite right. Without abandoning anything you have said but assuming with me that it might be demonstrated that it does cost more to carry traffic on the Prairies and in British Columbia than in Ontario-Quebec, then what do you say, assuming that?

A Well, my only answer could be that you would have to consider to what extent differences in cost exist. Are they appreciable, measurable or negligible?

Q Let us take it on those grounds. Suppose they are appreciable. I am assuming now that by some formula, which the railways will again probably endeavour to bring forward because they have done so in the past, assuming there is an attempt to demonstrate anyway that it does cost more to carry traffic in British Columbia and on the Prairies than in central Canada, assuming that has been demonstrated, do you still not say that there should be a general level of rates, and that difference in cost should not be given effect to ratewise?

MR. BRAZIER: I think probably that is a very difficult question for this witness to answer. It might

involve a question of government policy.

THE CHAIRMAN: If I understand it properly, Mr. Brown says that he favours uniformity of rates, does he not, and Mr. Frawley wants to know whether that uniformity should stand up even against variations in costs in one part of Canada and another. That is the question.

MR. FRAWLEY: That is right.

THE CHAIRMAN: That is not hard to answer.

MR. BRAZIER: It is not hard from the witness' point of view, but I am thinking that he may be a little hesitant about expressing an opinion. Any opinion must necessarily be his own opinion.

THE CHAIRMAN: The rule he has laid down is uniformity of rates. Now this is the testing of that rule.

THE WITNESS: I suppose in the application of the rule if the difference is proved to be significant, but I do not see how you are able to determine the facts.

MR. FRAWLEY: Q. Mr. Brown, if I may say so, I think you are overlooking an answer you gave to me this morning. I thought you said you stood opposed to regional costs affecting regional rates. That definitely went with your proposition, did it not?

A Quite, but I base that on what I feel would be the facts of the matter if they could be arrived at.

Q Yes, I know, but is there not a principle involved? Perhaps I quite misunderstood you. I thought you stood for the proposition that rates must not be made on the basis of regional costs?

A That is true.

Q That is true. Now, that has certain implications.

Now, Mr. Brown, you do say on page 15 - and frankly I was a little bothered to know what you meant --

"Furthermore, there seems no basis for rectifying this discrimination" --

That is discrimination that is produced by a series of regional differences in rates?

A Quite.

Q "--short of the introduction of some sort of Federal subsidy in favour of the injured region." Why do you have to fly to a subsidy there?

A Well, it seemed to me that was the only alternative. If you are not prepared to have rates relatively uniform on the basis of what would probably be a fairly uniform set of costs, if you are not prepared to do that but are prepared to have regional variations in price based on charging what the traffic will bear in each of the regions, then some regions are at a disadvantage on that basis of pricing, and therefore you can, shall we say, rectify that difficulty if you want by taking something out of general revenues.

Q Mr. Brown, you have agreed with me that it was an unsound principle to fix rates on the basis of regional costs. We agree on that, do we not?

A Yes.

Q If that is unsound, regardless of whether those costs are greater in one region or the other, if it is sound that there should not be regional rates fixed on a basis of regional costs, then it is all taken care of by a general rate level, equal mile for mile parity in all parts of Canada?

A I think you are misinterpreting.

Q I may have misunderstood you.

A I am suggesting if you do not adopt the first principle then presumably the alternative is --

Q All you are saying there, when you are talking about a subsidy, is that if you do not accept the soundness of the proposition that regional costs should not enter into the making of rates, then you must go to a subsidy?

A Yes.

Q I have a couple of more things to ask you. Would you look at page 18. Perhaps this is getting into the field of accountancy, but you are endeavouring to make the proposition that the motor carriers in this province anyway are paying their proportionate share of the cost of construction and maintenance of the public highways? That is your thesis?

A That is correct.

Q You do that by these figures of expenditures on highways and the revenues from the gasoline tax and motor vehicle licenses?

A That is correct.

Q You show that in 1948, for instance, your total revenue was \$14,909,000?

A Correct.

Q From gasoline tax and motor vehicle licenses, and your total expenditures were \$21,064,000?

A That is right.

Q Now, you see what you take from surplus, \$6,000,000?

A That is right.

Q And from current revenue \$8,165,000?

A That is right.

Q And I suppose this surplus is just the accumulated past annual surpluses of revenues over expenditures?

A That is right, budget expenditure that had accumulated over a period of years.

Q The accumulated surpluses?

A That is right.

Q Could that not be just as well called revenue income rather than capital?

A If you like; it was income from previous years which had not been expended.

Q That is right. That is the better way to put it, income from previous years unexpended. For the sake of following me, will you add the \$6,200,000 to the \$8,100,000. You have about \$15,000,000 there?

A \$14,300,000 or \$14,400,000.

Q Your total revenue was only \$14,900,000?

A Yes.

Q So you are not carrying anything that you have got in the way of capital in other years?

A No, I do not agree with you there. You see, as I suggested -- if you will look at the next paragraph you will see that I suggest that expenditures from loans and from surplus, and a portion of the expenditure from current revenue can properly be treated as capital expenditures for that particular year. You would not charge up the total capital expenditures for a particular year as the cost for that year.

Q In other words, you would not try to build your roads as you go along? Some provinces do build hospitals

and that sort of thing out of current revenue?

A Yes, you can do that if you want to, but still I do not think in any normal accounting it would be proper to consider the total expenditure as the total capital cost for that year. You have to consider that the capital cost for a particular year is the amortized cost, if you like, or the cost of that capital expense over the life of that capital structure. I suggest further that for the fiscal year ending in 1945 they were paying into sinking funds, which would be an amount necessary to amortize the highway debt at a rate sufficient to retire that debt within thirty years. I presume that would be a reasonable rate of retirement. I should think that a highway, once it is constructed, with ordinary maintenance would last thirty years.

Page 2390 follows

Q. The rates in certain parts of British Columbia, the truck rates, are regulated, fixed by the regulatory body?

A. I think there will be somebody discussing that at a later stage, sir.

Q. Mr. Brown, would you look at the last paragraph, because I must not be second to my friend Mr. Shepard in having you look at that paragraph. Let me read it to you again, because there are certain things in there that I would not want to be missed:

"Lastly, where in the national interest, it is necessary to subsidize an industry" -- Don't you think that the word "where" should be "if"? Isn't that all it means really, Mr. Brown?

A. All right.

Q. I think we could rewrite that "if"; that would make a lot of difference to some of us. It would be, "if in the natural interest, it is necessary to subsidize an industry this should be done by some means other than through adjustments in freight rates." Then you go down to the next sentence -- somewhat contradictory:

"In our opinion, it is unsound and unfair to require one group of shippers to subsidize another group as prevails under the present rate structure."

Don't you think you abandon the "if" there, and simply make a statement, by implication at least, that there is in the freight structure now a subsidizing of the Western wheat grower in the matter of freight rates? Isn't that the plain implication?

A. I do not think I pointed a finger at anybody

in particular. Again, somebody later on may discuss rates.

Q. I know, but I would just as soon exhaust this with you, Mr. Brown, because this is what you wrote. Now, don't you think that the first thing that has to be determined is what the fact is, whether or not the grain is being carried at a loss? Isn't that the first thing to be determined?

A. I would say yes.

Q. And if it is not being carried at a loss, then any idea that you have here that you should have some subsidy, either federally, out of the national treasury, or by other shippers, that of course would become unimportant if the grain rates now are quite compensatory?

A. Quite right.

Q. So that you mean no more, I take it, Mr. Brown, and the Government of British Columbia means no more, than that if it is proved that the grain rates are carried at a loss, then you say you have certain views about it?

A. That is right.

MR. BRAZIER: I do not like my learned friend reading grain rates in there. We are not referring to grain rates at all, but any rates now being carried at a loss. We are not suggesting grain rates are at a loss.

MR. O'DONNELL: Any rate includes a grain rate, presumably.

MR. BRAZIER: It includes all rates on which the railways are now carrying at a loss.

MR. FRAWLEY: That is right.

Q. And the whole paragraph becomes quite unimportant, -- I use that word very respectfully -- if it should happen that grain rates, anyway, if you will allow me to still talk about them, are not carried at a loss; that is right, isn't it?

A. Yes.

Q. Thank you.

CROSS-EXAMINED BY MR. EVANS

Q. Mr. Brown, may I clear away two or three little questions about these graphs and tables before I proceed? Will you turn to Table 6. Examining that with you, I have in mind the statement made on page 7 which says, in effect, with regard to highway competition, British Columbia is at some disadvantage as compared with other provinces; then on page 8, as you recall, your brief makes comparisons of the relationship between employment in highway operation and employment in railway operations, which you think, as I gather, is to the effect that that disadvantage about which you are talking is in effect shown; am I right in my conclusions?

A. All I am suggesting there, we were unable to get completely satisfactory statistics, and I am suggesting that is indicative; I do not say that ---

Q. Then will you turn to Table 6 and examine it with me. I hope you will check me on this. I made some very rough calculations of the percentage of total employment in the trucking industry, and I put those down in my copy beneath the heading, "Trucking employment to railway employment." You see, I just put those in there. I suggest to you that the percentage

of employment engaged in the trucking industry in British Columbia is approximately .94 of one per cent. You can check me later.

A. All right, I will just make a note of it.

Q. And I suggest also that Alberta shows approximately 1.12 per cent, Saskatchewan .822 per cent, Manitoba .95 per cent, Ontario 1.02 per cent, Quebec and New Brunswick both almost an even one per cent each, Nova Scotia 1.035 per cent, and Prince Edward Island .73 of one per cent. Now, in view of those figures, and assuming that my arithmetic is not too bad, would it not be a fair inference that British Columbia, and in fact most of the provinces, show a remarkably similar proportion of those gainfully employed who are engaged in the trucking industry?

A. Well, your statement I think is correct taken as it is given, but that probably is not the whole story.

Q. Well, I am only taking the approach you made a little more directly, that is all.

A. Well, you see, the point that I was trying to make was originally that more of the population of British Columbia have to devote their efforts to transportation, proportionately more of the employed are engaged in transportation than is so in other places.

Q. I quite follow.

A. Now, presumably, since we have a greater percentage of the total of our population engaged in transportation in general, we should have, if everything else is equal, a greater percentage of those engaged in trucking than any of the other places.

Q. You think that follows, do you?

A. Well, I mean, if you had an equal distribution,

if you had an equal distribution between the agencies. If your total is greater, therefore your parts must be greater.

Q. Well, I suggest to you that the reverse is true; whereas in British Columbia your populated areas are concentrated in a relatively small part of the total area of the province, wouldn't that work the other way on that proposal of yours?

A. Well, no, I do not think so.

Q. You do not think so?

A. No, I think not. The figures are limited to some extent; within the limitation of the data, as I say, more people have to engage in transportation generally.

Q. Then let me ask you this: why, then, in supporting this statement that British Columbia was at some disadvantage with regard to highway competition, instead of relating the percentage engaged in trucking and railway to railway employment, why then didn't you relate the percentage engaged in trucking to the total engaged in transportation? You see, railway employment is, percentage-wise to total employment in British Columbia, quite a lot lower than in a great many other provinces?

A. That is true.

Q. And so in expressing your trucking employment to railway employment you did not give quite the relationship that you are telling me now you think should be given, did you?

A. Well, if we compare British Columbia and Ontario -- I did not make any comparison between the other provinces -- if you compare British Columbia and Ontario you have approximately the same percentage of

people employed in railways -- not quite.

Q. Well, at all events, the figures speak for themselves?

A. Yes.

Q. Then would you turn to ---

THE CHAIRMAN: Before you leave that item, Mr. Evans, would you make it a little clearer to us what is the relation of those percentages that you worked out? You see, it is under the heading, as I understand it, of "trucking employment to railway employment"; is that right?

MR. EVANS: No; that is what the witness had on his table, but my suggestion to him was that if you express the number engaged in trucking and cartage operations in British Columbia ---

THE CHAIRMAN: You mean out of the whole employable population?

MR. EVANS: Yes -- as a percentage of the gainfully employed, you will find that British Columbia has relatively the same percentage of its gainfully employed, employed in trucking operations.

THE CHAIRMAN: In trucking operations?

MR. EVANS: Yes.

THE CHAIRMAN: As the other provinces?

MR. EVANS: Yes, as the other provinces.

COMMISSIONER INNIS: That is, you suggest trucking employment to total employment instead of to railway employment.

MR. EVANS: Yes. I would have thought that that would be a little bit better picture of the relationship which the motor industry in British Columbia

bore to other provinces.

MR. FRAWLEY: Is it item 2, Mr. Evans, item 2 compared to item 8?

MR. EVANS: Well, you express item 2 as a percentage of total employment.

Mr. FRAWLEY: Yes, that is right.

Mr. EVANS: Q. Then if I might turn in passing to the chart, this is chart No. 5. I did not have a very clear note of what you said about that chart, and I want you to correct me if I am not right about it, but I gather that you say, in the fact that the disconnected line representing net ton miles and the line joined by the little circles, of passenger miles, had crossed the line represented by man-hours, that that indicated that management was meeting with greater efficiency the cost of the railway operations; was that your view?

A. It indicated a technological improvement, yes. You required less man hours to render the same amount of work.

Q. I thought perhaps you might have said -- and I want you to again check me if I am wrong on this -- that the wartime period represents a number of factors that are hardly related to that subject, and one of them is the carloading order; wouldn't that be a very important factor, where you get a very much higher average load per car under the war measure regulations?

A. Oh, I think it was a factor, yes, I suggested that.

Q. It would be a very considerable factor, would it not?

A. Well, I have no way of knowing how large a factor. I think I suggested larger box cars as one,

and presumably heavier loading and faster train schedules and more powerful locomotives as being some of the underlying ---

Q. I quite agree with you that there has been that increasing efficiency. I am suggesting that perhaps that line is a little distorted, having regard to some of the wartime factors that operated and which were of very substantial importance.

A. Well, the only answer I can give to you would be to refer you back to chart 4.

Q. Couldn't you say whether you thought that would be a factor?

A. Well, perhaps I can answer you by going back to chart 4. In chart 4 you have the relationship between freight locomotive miles and net ton miles, and if you start off say with the years 1938, 1939, 1940, 1941, 1942, 1943 and so on, right up through the whole war period and the years preceding that, you will find a very, very close relationship between the amount of input of work, if you like, expressed in locomotive miles, and the output of service in terms of ton miles. Now, I do not know whether I can see any evidence there of heavier loading to any great extent.

Q. May I suggest this to you, that if there were a very substantial increase in the average car loading it would show in that chart 5?

A. Oh, I would not question that.

Q. And I am suggesting to you that that was true during the war?

A. Yes, I think that statement is true. The only question is to what extent, I think.

Q. Oh, of course. I am not asking you to assess it, because I could not expect you to. Now, my friends have been spending some little time with you on this cost-of-service principle, and I must say that I have still a little doubt. I will try not to duplicate, but would this be what you have in mind: first, you have not in mind adjusting rates regionally to reflect regional costs?

A. No, I have not.

Q. Then would this be it, that you have in mind the same rate throughout Canada for every commodity?

A. Well ---

Q. I am sorry: for the same commodity the same rate throughout Canada?

A. Yes.

Q. And the way you would establish that rate would be to study the cost of carrying that commodity?

A. Correct -- as close as you can determine.

Q. So that what you would do -- and I want you to correct me if I am wrong, because I am only trying to get what you propose -- you would take, for example, boots and shoes, and you would study the cost of moving boots and shoes wherever they may be moved in Canada as a separate study?

A. Well, if you bring it down to such a small item as that, I presume the classification of commodities which you now have is an attempt to reflect somewhat the differences in characteristics of these various commodities. I doubt very much whether you could boil it down to the cost of moving just boots and shoes specifically.

Q. Well, I was just a little in doubt as to how far down you would have to go; would you keep the present classification?

A. Well, I could not say that; I am not sufficiently familiar with the present classification.

Q I think you intimated a minute ago that you felt that the present classification contained a lot of the elements of cost in the way the goods were classified?

A. I think probably they do, to some extent.

Q. I agree with you on that. Would you agree with this, that people who talk of the value-of-service principle or what the traffic will bear are rather inclined to think that that is the only factor in the present freight rate structure, and that they overlook sometimes that there are these cost factors, not accurately evaluated but represented in the classification?

A. I would agree.

Q. And then it really narrows itself down to this, does it not, that the difference between what the present structure amounts to and what you propose is that you would give no value to the value of service, and you would lift what is now perhaps a proportion of cost factor into the hundred per cent?

A. Essentially, yes.

Q. Now, you speak on page 9 of the ability of management to have a relatively constant level of costs?

A. I am sorry, I did not ---

Q. A relatively constant level of costs of performing a service?

A. I did not hear the first part of your sentence, I am sorry.

(Page 2402 follows)

Q On page 9 you suggest that management has the ability to keep relatively constant the costs in relation to the volume of traffic, the costs of service, over a long period?

Yes.

Q Is it possible that in dealing with this subject you could have overlooked the difference between expenditure by management in providing service and the cost of providing service?

A Well, that is a point. Presumably year by year management must have, over such a long period of years, pretty well covered their costs in view of the fact that generally they declare a small profit.

Q Would you agree that as time goes on it is a progressively smaller profit, because I was about to put that to you next?

A Well, perhaps you had better ask that question again. I do not think I can --

Q What I am suggesting to you - and I think you have assented to it - is that there was perhaps some tendency to treat the expression "cost of service" as being synonymous with expenditures in providing service?

A Yes, this is what they expended. That is quite correct, but assuming again that it must have been fairly close to cost. Otherwise they would not have taken the liberty of --

Q I think you will agree with me thus far, that in a period of rising costs and no increase in rates management, keeping its expenditures at a constant percentage of its revenues, would perform less and less work

and give a lower and lower quality of service?

A That may be true.

Q I only put that to you to illustrate the difference between expenditures and cost, and I was going to put this further question to you. I suggest that in the event that I describe, that is to say, where your quality of service is going down because of management keeping its expenditures down, that in that case the cost of service might ultimately be higher than it otherwise would be?

A I tried to answer your position, and apparently not too successfully, on page 14, the last complete paragraph. I suggest there that:

"First it does not seem reasonable to suppose that any portion of the normal maintenance expenses which might have been shifted from bad to good times throughout such a lengthy period would have been of sufficient dimensions to materially alter the foregoing relationship of cost and input."

THE CHAIRMAN: Q. Where is that?

A The last complete paragraph.

Q Page 14?

A Yes.

Q Where?

A Starting with the words, "two observations follow."

MR. EVANS: Q. Have you made a study of the railway situation in the United States?

A Pardon?

Q Have you made a study of the railway situation in the United States by any chance?

A No.

Q Because I suggest to you that is exactly what did happen in the United States, that they went downhill over a long period of years, and there were a series of bankruptcies in the depression years of the thirties, and I suggest to you that it is possible for a railway to go downhill over a long period, and that notwithstanding this so-called ability of management to control its expenses. Would you agree with that?

THE CHAIRMAN: Pardon me. Would you tell me what you mean by "downhill"?

MR. EVANS: I mean that the quality of service and the maintenance, the condition of the property, goes downhill until there is a condition of bankruptcy, and there has been in a large number of cases in the United States.

THE WITNESS: I believe that is possible.

MR. EVANS: Q. So I think it would be fair to put it to you that it is very difficult to generalize on the ability of management to control expenses?

A To control expenses?

Q Yes.

A Again we are discussing whether it is expenses, costs or expenditures you are saying.

Q There is a vast difference. I thought we had pretty well agreed that there might not be the ability to control costs but there might be the ability to control expenses. All I am suggesting to you is that it is pretty difficult to generalize on a subject of that kind.

A All I have to go on is the material I have before me. I would be in no position to know the physical condition of either of the railways, or any of the railways,

whether they have been adequately maintained or better than average maintenance or poorer than average maintenance.

Q Now then, on page 11 there is an extract there from Professor Healy's book, I believe it is, and it begins:

"It appears then, that so far as class 1 railroads are concerned, only at the very lightest densities of traffic can gross-ton-miles or car-miles of traffic be added without incurring almost the full average expense per unit."

When was that book written?

A The press and the date, and so on, are given at the bottom of the page, Ronald Press, New York, 1940.

Q Oh, I am sorry, 1940. Have you seen the studies the Interstate Commerce Commission has made on that subject of variable costs?

A No, unfortunately I have not.

Q I suggest to you they are extremely informative. Mr. Frawley put a question to you this morning that I thought indicated perhaps a little confusion. You will forgive me if I put it to you in a little different form. Would you not agree that the question of density as a factor in evaluating variability of costs is not the factor of absolute density but of capacity?

A I am not quite clear on what you are asking.

Q For example, Mr. Frawley put it to you this morning that the density on the Canadian Pacific was 50 per cent of the average density of the class 1 roads in the United States. He referred to Mr. Newman's evidence.

MR. FRAWLEY: That was my friend, Mr. Shepard.

MR. EVANS: Oh, was it?

MR. SHEPARD: That is quite all right.

MR. EVANS: Q. I am suggesting to you that that would be an example of what I mean by absolute density?

A You are thinking of relative density?

Q That is to say, density measured in gross-ton-miles.

A Per mile of line?

Q Yes.

A Yes.

Q That would be what I consider to be absolute density?

A Right.

Q And what would be the capacity of a given line would be a far more important factor in measuring variability of costs than absolute density?

A I believe that you are suggesting that if a railway is adjusted to its traffic, and then if the traffic falls short of that adjustment you are in difficulties.

Q Well, I am not suggesting anything particularly, but merely that there is some tendency to look upon absolute density as having importance as a factor in determining the extent to which costs are variable with traffic, and I am suggesting to you that a great many writers, and I am also suggesting that my friend, Mr. Shepard, has perhaps overlooked the plain implication of the Interstate Commerce Commission study that capacity and not absolute density is the biggest factor?

A I would agree generally with that.

Q Yes. If you have not read these studies of the Interstate Commerce Commission, I suggest to you that the variation due to density - I am speaking now in terms of capacity and not absolute density - is relatively small, according to the Interstate Commerce Commission. I suppose there is not much use asking you that if you have not read it.

A I have not read it.

Q Then I will pass on. On page 16 - before I go to that may I talk about page 15. I think it was either Mr. Frawley or Mr. Shepard asked you some questions about the statement as to the wide differentials in rates. That appears in the third line of the last paragraph.

THE CHAIRMAN: On page 15?

MR. EVANS: Page 15.

THE WITNESS: Eliminating differentials, pricing, is that it?

MR. EVANS: Q. Yes. It begins with the words, "if the premise is accepted", and so on, and then it says:

"One can no longer, on this basis, justify the wide differentials in rates."

I want you to correct me if I am wrong, but I made this note, that when you were asked to give an example of what you meant there you felt that --

THE CHAIRMAN: What he meant by the "wide differentials in rates"?

MR. EVANS: Yes -- that you felt that less than carload movements averaging 3.6 tons per car would be about one-tenth of the average load per car, and that therefore there should be a ten to one differential in

rates between less than carload and carload traffic. That was the note I made opposite that.

THE WITNESS: That was not what I had in mind when we were discussing differentials in rates in that paragraph.

MR. EVANS: Q. It is that point I want to ask you about. I want to get you to enlarge on it. You said that there was a study by Professor Healy in 1932, referred to at page 165 of his book?

A Right.

THE CHAIRMAN: What page are you on now?

MR. EVANS: I had a note opposite that point on page 15, and I am afraid I may have it in the wrong place.

THE CHAIRMAN: Professor Healy is somewhere else.

MR. EVANS: I had a note that the witness, in reply to cross-examination, had expressed the view that carload rates should be one-tenth of less than carload rates for the same commodities because the average less than carload car was 3.6 tons, and the average carload was 35 tons.

THE WITNESS: Perhaps I cannot quote what I said, but I was suggesting that it was quite possible that there can be a considerable difference in rates between commodities, and yet meet with the general principle of cost of service.

Q I was not concerned with that at the moment. I was going to come to that on the next page, but did I understand your evidence correctly that you felt that because you could carry 3.6 tons on the average of less than carload traffic in a car compared with the average of 35 tons, that the rate on l.c.l. traffic should be ten

times the rate on the same commodity carried in carloads?

A I do not say specifically that it should be ten times. There are probably other factors besides what you can load into a car. I am suggesting that because of the rather usual differences that do exist in what you can load into a car there can be a considerable spread in rates and still meet with the general proposition.

Q Would you seriously suggest that a railway could charge ten times as much, or anything approximating that, for less than carload freight as for carload freight?

Well, I really don't know that I can answer that question specifically.

Q If you have no views on that I will not press it. I thought you had said something like that to one of my friends. Otherwise I would not have asked you about it.

A I am not sure I fully understand your present question. Perhaps we should start again.

Q I am sure I am deficient in the way I am putting it to you, but you will appreciate that I only made a rough note at the time, and my note was that you referred to Professor Healy's book at page 165?

A That is quite right.

Q And you stated that the average less than carload car had a load of 3.6 tons. You recall that?

A That is right.

Q And that the average load in cars of carload movements was 35 tons?

A That is right.

Q And that the conclusion you drew from that was that you could then assume that the rates on less than carload

would be ten times as great as on carloads. If you did not, I will pass on.

A I think the only assumption I made was that there might actually be a spread probably as great as ten to one between the rates.

Q.
THE CHAIRMAN: But did you say that Professor Healy gave that opinion?

A No.

MR. EVANS: Q. I think you were just referring to the studies?

A I just referred to his statement of the average carload in the United States, and I said on the basis of that --

THE CHAIRMAN: Q. You mean 3.6 being about 10 per cent of 35?

Yes, and that on the basis of that it would look on the surface as if you could have a spread of rates between commodities as great as ten to one, or something of that order.

MR. EVANS: Q. Perhaps I should not have stopped on that. On the same page, page 15, there is a paragraph reading:

"If the present pricing is accepted as valid, it appears to create two dilemmas. First, there is produced a series of regional differences in rates which can hardly be considered anything else but discriminatory."

I hope I am again correctly recalling what you said, but I thought you indicated that that part beginning "first there is produced a series of regional differences", had

particular reference to the differences in the class rates regionally?

A That is right.

Q And I am interested to know whether you feel that those differences are attributable to the present value of service principle as applied to rate making?

A Well, I don't know --

THE CHAIRMAN: I want to make sure that we have it right. Do you think that the word "class" should be inserted there so that it would read, "there is produced a series of regional differences in class rates"?

MR. EVANS: No, sir, I am not saying that.

THE CHAIRMAN: You used the word "class".

MR. EVANS: I wanted to know what he meant. He rather indicated that he had class rates particularly in mind.

THE WITNESS: Yes, particularly in mind, but there might be other rates that would fulfil that.

MR. EVANS: Q. I wondered whether there was an inference there that that was a consequence of the present pricing policy which is related to value of service?

A I would say more or less so.

Q Well, is it more or is it less?

A More so.

Q You think that accounts for the difference, for example, between east and west in the class rates?

A Yes, it is because of the, shall we say, monopoly pricing that you have to some extent that permits you to charge differential prices in one area compared to another area. There is nothing unusual about that.

Q That can hardly be described as due to the value of service principle?

A Well, if you have to move something I suppose that is value of service. You pay what it is necessary to get the thing moved.

Q Your view on that and mine perhaps differ. However, we need not spend any time on that unless you particularly want to. On page 16 at the top of the page the following paragraph appears:

"Where a situation of joint costs exists, the problem of pricing each of the services might be related to their respective elasticities of demand, but again with the long run average costs being met by the combined traffic."

I gather that that provides what might be called the principal exception to the application of the cost of service principle, which you propose. Would that be right?

Page 2415 follows

1. Well, I do not know whether you would consider it actually an exception. I do not know how you interpret the word. I do not know what you mean by "exception."

2. Well, supposing you interpret it.

A. If you had empty cars, and say they are returning and the total costs were \$100 for a complete movement from A to B, and from B back to A, depending on the demand on the traffic from A to B, and B to A, it might be permissible to charge A to B 70 per cent, and from B back to , 30 per cent.

Q. And that would be due to unused capacity in the way of empty cars?

A. Yes.

Q. Suppose the character of the movement changed. Would you then be forced to take up this low rate of 30 per cent, put in, to take advantage of that unused capacity?

A. I suppose you would. But once again, you would have to face the situation if, and, when it arose.

Q. But would you face it by taking it out, in your view?

A. Let us see if I follow you. I presume, in the first instance, there were full cars going from A to B, and empty cars coming from B to A. And as time goes on, you have full cars coming from B to A, not necessarily empties?

Q. What would it do with your especially low rate?

A. That is the low rate from B to A?

Q. Yes.

A. If the total combined costs changed as a result of a change in the traffic, I suppose there would have to be some

adjustment made.

Q. You speak of the total combined costs. Before we leave that: I thought we were dealing not with local or regional costs, but with the over-all costs?

A. I am merely discussing the long run average costs which have to be broken down and applied to some particular segment of the traffic.

Q. Yes. And having done that, and having arrived at a one-way empty movement, and having established a rate which was a lower rate, lower than the rate in the other direction?

A. But it would be a different type of traffic, of course, would it not?

Q. I am assuming. I do not know what you have in mind; but would you then take that rate out, when the demand for the services in the other direction picked up?

A. Well, I would have to make a number of assumptions. It would be difficult to consider all of them, presumably if there was more traffic; if there was an increase in traffic in one direction from A to B; if A to B continued to increase, then you would be all right. But the traffic that you are worried about: If you are charging somewhat less than average costs from B to A, and that increased more than from A to B, then what would you do? Well, I suppose, in one sense, you might say elasticity of demand has probably changed, and you might then be in a position to make the necessary adjustments.

Q. You would have to take out the low rate?

A. I would have to take out the low rate, yes.

Q. And I rather gathered that you felt that that was not a good thing to do? Because you said, I think, at one stage, that particularly, in the case of commodity and

competitive rates, at page 17:

".... that any sudden change in the present rate structure would create major dislocations in industry...." And would have to be done in a slow and gradual manner; and especially would this be true in the case of commodity and competitive rates?

THE CHAIRMAN: Where is that?

MR. EVANS: Q. Page 17, about the middle of the page; and I gathered that you felt that that kind of rate making was to be deplored?

A Yes. Again we have to consider hypothetical cases. Where the elasticity of demand is such that you have mezzos, by making a somewhat different rate than the ones we are comparing to; and gradually, over time, there is a new set of circumstances which have arisen, and presumably you would have to meet them. But I think that even the average long-run rates may acquire adjustment gradually, up and down. I do not think you can have a static situation such as to allow for variations or changes. I think that in some cases you can make changes without creating too much disturbance and the situation which we have before us might be one in which a change in rate would not create any disturbance; or, it might be one which would create a rather severe disturbance. Those would be factors which would have to be considered at that time.

Q. That would all be something for the Board of Transport Commissioners, I presume?

A. Presumably.

THE CHAIRMAN: Q. Mr. Brown, you seem to have in mind the competitive and commodity rates especially?

A. Sorry.

Q. You seem to have in mind, when you spoke against sudden changes, the case of competitive and commodity rates, especially?

A. Particularly.

Q. You said that especially would this be true in the case of competitive and commodity rates.

MR. EVANS: And they move most of the traffic in the country, those commodity and competitive rates.

THE CHAIRMAN: Yes.

MR. EVANS: Q. Now, to proceed with an examination of that first paragraph on page 16. What have you in mind when you state "joint costs."

A. Joint costs? Probably two illustrations; that would be empty cars returning and unused capacity on, let us say, passenger coaches; that is, in order to take goods from A to B by means of box cars, or whatever vehicles you have, you somehow, must get those cars back from B to A; and the total cost is involved in A to B and B back to A; and I consider the cost of moving ^{from} B back to A is probably a joint cost. You have incurred that cost whether you wanted to or not.

Q. You would not consider it was a cost to be shared by a number of classes?

A. No; that would be a common cost.

Q. Have you any views as to how those common costs would be divided, in your cost of service principle?

A. I will admit it is not easy to apportion common costs. I will grant you that.

Q. You have no views as to how you are going to go about doing that?

A. No.

Q. There was one other statement which I got from your cross examination, and that was: that you felt that the railways should have some latitude in meeting competition.

A. Yes, some.

Q. Now then, the test which I think you applied was: that the railway if it chose to meet competition, would have to meet it by foregoing a part of what you call profit or return on investment. Now then, I did not quite gather how far you carried that; that is to say, assuming that the Board had determined that the Canadian Pacific should have, let us say, an 8 per cent return on its investment, and it had to meet competition; and if it met competition to the extent that would reduce that return to 7 per cent, your view would be that it could no longer go to the Board and say: We must have an increase in rates in order to get our 8 per cent?

A. That is right.

Q. That is your view. Now, I suggest that that view is a pretty harsh doctrine. You see what you are doing there: First, you are saying to the railway: You may, if you choose, meet competition; but if you do, that comes out of your profit. But if you don't, well, you will get no profit if any case; you lose the traffic; and yet, you put the railway, I suggest to you, on the horns of a dilemma. You have really given them no freedom of action at all. It is theoretically impossible that they would lose all their profit by having enough competition?

A. That is theoretically possible; and other agencies could move all the traffic better and cheaper than they could.

Q. I did not say that. All I suggest is: That if they

choose to meet competition, and assuming that it contributed something more than expenses in providing the service to get the traffic, you would be penalizing them by saying that they could only choose to meet that by taking a cut in their over-all profit?

A. I think the only alternative you have, of course, is to price on a basis of what you might call out-of-pocket costs, and try to recover what you lost there from somewhere else. I suggest you cannot do that for too much traffic, or again, you won't have any profit.

Q. So you are really coming back and saying that costs do vary 100 per cent with the traffic?

A. That is essential.

Q. And in that respect you differ from the I.C.C., which found it to be an 80 to 90 per cent variation?

A. I would say it was quite a bit.

Q. It makes a great deal of difference to me in this present discussion. Would you say it was 85 to 90 per cent ?

A. That would give you 10 per cent leeway.

Q. And you have also a leeway on the investment. You have not dealt with fixed charges but only with operating expenses, and return on investment?

A. Return on investment would probably be cost.

Q. In a broad sense, cost; but in the sense we are discussing it, it is sometimes known as profit or return; and I think you will agree that the studies of Professor and others Healy/have been treated with respect to operating expenses, and have not been taking into account all the other factors that we regard are ultimately cost?

A. I think that Professor Clark - there is some evidence to suggest that they also vary almost as much as

operating expenses.

Q. You think that Professor Clark agreed with you on that?

A. I think Professor Clark suggests that the investment costs vary almost as much as the operating costs. Personally, I have not any very precise opinion on the matter because I have not investigated that portion of it.

Q. But would you not agree with me that fixed charges tend to go up in depression times, and to go down in good times? Isn't that a reverse of the cycle?

A. I could not answer the question at the moment.

THE CHAIRMAN: What was that?

MR. EVANS: I asked the witness if he did not agree with me that the reverse of his suggestion is true, about the fixed charges?

THE CHAIRMAN: At the present time?

MR. EVANS: No, in a depression time.

THE CHAIRMAN: Ah. I see.

THE WITNESS: I have not had a chance to look into that aspect of it. I will admit it probably should be done, but I have not had a chance to do so.

MR. EVANS: Then, on page 18, the view is stated that motor carriers, through heavy licence fees and by means of ^{the} gas tax are paying their proportionate share of the cost of construction and maintenance of the public highways; and that is supported by the tables which show, as you submit, that the motor operators, as a whole, are paying adequate total amounts for the upkeep and maintenance and fixed charges, on the highway expenditures. Now then, have you ever investigated the question as to how one would go about apportioning the cost of maintaining highways as between

different classes of business vehicles?

A. No, I have not had an opportunity to do that.

Q. Have you ever heard of Professor C. B. Breed of the Massachusetts Institute of Technology?

A. I know the Institution but not the man.

Q. I think you would be interested in Professor Breed's study. He has made a number of studies and I suggest to you that the mileage or use, the total weight and axle weight, the space occupied on the highway, the weight of the bridges, the thickness of the slab, the width of the travelled portion of the highway, and the grades are all related to the character of the vehicles operating on the highways; and I suggest to you further, that until you have made a study of all those factors and have had them evaluated, it would be, perhaps, a little premature to suggest that the motor carriers are paying their proportionate share of the cost of construction and maintenance. Have you any different views from that?

A. Could you give me an opportunity to study your references so that I could look them up?

Q. I cannot give you the references right now, but if you would write to me some time, I would see what I could get for you. This is just memory on my part.

A. Without seeing the studies and material he uses to support his point, I would be at a loss to make any answer one way or another.

Q. But wouldn't it strike you that all of those factors would have to be very carefully evaluated?

A. I really could not say.

Q. Let us take, for example, the weight of a vehicle,

the total weight of a vehicle. If it is a 20-ton truck, it would require a heavier bridge than would a private motor car, would it not?

A. Probably.

Q. But if it were a 50-foot tractor trailer, it would occupy more total space on the highway, would it not?

Page 2430 follows

A. That might or might not be a problem.

Q. Well, I suggest to you this: perhaps you will agree with this, that if you have a 50-foot vehicle on the highway the difficulty of passing that vehicle for a private motor car is greatly increased, is it not? You know that from experience?

A. Yes.

Q. And therefore your congestion builds up behind these heavy vehicles, and does not that then suggest to you that you may require an extra lane where you have heavy truck travel?

A. Maybe.

Q. I mean, there are all those factors, and I am merely suggesting to you that they require to be evaluated before a conclusion can be drawn. (No answer.)

Q. Now, on the closing page, page 19, there has been discussion there about the expenditures on canal systems?

A. Yes, sir.

Q. And you say: "This introduces" -- that is, the fact that they do not make a charge?

A. That is right.

Q. -- "an element of unfairness to other regions in that the central Provinces not only enjoy any natural advantage attached to this means of transportation, but also have had lower than normal rates from all forms of transportation", and so on. Now, I am going to suggest to you that there is a great deal of unfairness in that to the railroads too?

A. Quite.

Q. And that sometimes complaints about the lower rates in Eastern Canada put in by the railways as a matter of self preservation, are due to those unfairnesses to which you are referring there?

A. I agree.

Q. Would you not also agree that that is also true if it should be found -- I am not asking you to believe it will be, but I am asking, if it should be found -- that highways are being provided for competitors of the railways at less than the real cost of providing for those particular facilities?

A. I would agree.

Q. Thank you, Mr. Brown.

COMMISSIONER ANGUS: Q. You speak at page 18 of the policy of British Columbia in dealing with highway traffic. Are you in a position to say whether a similar policy is followed in other provinces?

A. I am not, sir. Possibly the people from the Public Utilities may be able to answer that question.

Q. The real question is, then, what would the position of the railways be if one policy were followed in one province and a different policy in another province? Should they meet the competition in the province that did not tax its ^{trucks} heavily, and have different rates in the two areas?

A. I suggested that is the problem of control, sir.

THE CHAIRMAN: Now, Mr. Covert and Mr. Brazier, it has been suggested here that Mr. Brown may be a bit tired now; he has been on the stand all day. It might be feasible to let him stand aside while somebody else

is being examined.

MR. BRAZIER: That would be quite satisfactory.

MR. O'DONNELL: I had a few questions, but they can wait; I have no objection.

THE CHAIRMAN: It is just for Mr. Brown's sake.

MR. O'DONNELL: I don't mind; it is all right with me.

THE CHAIRMAN: Are you willing to wait?

MR. O'DONNELL: I am quite prepared to do whatever your lordship thinks.

THE CHAIRMAN: There may be some other questions; I do not know. Has anyone else any other questions?

MR. COVERT: I have some questions, sir.

COMMISSIONER INNIS: Mr. Chairman, would it be possible to have Mr. Carrothers produce his statement at this time?

MR. COVERT: If that would be suitable to Mr. Brown, he might stand aside in the meantime.

THE CHAIRMAN: You may take a rest, Mr. Brown.

THE WITNESS: Thank you.

WILLIAM ALEXANDER CARROTHERS, called

EXAMINED BY MR. BRAZIER

Q. Dr. Carrothers, you are Chairman of the Public Utilities Board of the Province of British Columbia?

A. Yes.

Q. And you have served in that capacity for how long?

A. Over ten years.

Q. Over ten years now. The control of motor carriers in British Columbia comes under the jurisdiction

Mr. Carrothers

of your Commission?

A. Yes. We have two Acts to administer, two which we administer as a Public Utilities Commission. One is the Public Utilities Act, which deals directly with public utilities, and the other the Motor Carrier Act, which deals with motor carriers.

Q. Under the Motor Carrier Act you have the same jurisdiction and powers as you have under the Public Utilities Act?

A. Yes. The Motor Carrier Act, of course, is designed particularly to meet the peculiar problems of the motor carrier industry, but there is a section in the Act which gives us the power of the Public Utilities Act under the Motor Carrier Act.

Q. Now, would you in your own words, doctor, tell the Commission the general policy followed by the Commission in the administration of the Motor Carrier Act?

A. In that connection, Mr. Chairman, I would like to refer to certain sections of the Motor Carrier Act which lay down the policy to be followed. One is section 7, subsection 2. I am referring to section 36 of the Statutes of 1939.

MR. BRAZIER: I might say, Mr. Chairman, I will file copies of the Act and Regulations with the Commission.

THE WITNESS: Section 7 has a heading, "Public Convenience and Necessity." That is subsection 2, and it reads as follows:

"Upon any application for a licence, the Commission may take into consideration, amongst other matters:-

(a) Any objection to the application for the licence made by any person already providing

transport facilities, whether by highway, water, air, or rail, on the routes or between the places which the applicant intends to serve on the ground that suitable facilities are or, if the licence were issued, would be in excess of requirements, or on the ground that any of the conditions of any other licence held by the applicant have not been complied with;

(b) The general effect on other transport services and any public interest which may be affected by the issue of such licence:"

Then section 38 deals with general policy also. It is headed, "General Supervision of Motor Carriers," and reads as follows:

"It shall be the duty of the Commission to regulate motor carriers with the objects of promoting adequate and efficient service and reasonable and just charges therefor, and of promoting safety on the public highways, and of fostering sound economic conditions in the transportation business in the Province, and the Commission may make such investigations and inquiries and such regulations and orders as it deems to be necessary for the carrying-out of such objects."

Mr. Chairman, I want to emphasize there the reference to other types of transportation, because our policy is, in matters of granting of licences and in making of rates and tariffs and so on, in fact in any regulation which affects any of these other interests, there are public hearings held, they are held every

Tuesday, and interested parties are notified and representatives of the railways, for example, are before us quite regularly to inform us as to the position of their clients. I think that is very important in relation to our administration as a whole.

Q. What exemptions are there? Would you just describe to the Commission what motor vehicles in the province you do regulate at the present time?

A. All motor vehicles that ply for hire, either passenger or freight, with definite exceptions which are listed in the Regulations. They are quite extensive, Mr. Chairman, but in general any vehicle which is operated by or for a provincial government or the Dominion government or the Government of the United States, and vehicles, freight vehicles, operating solely within one municipality, and then we have certain specially exempted areas. For instance, we have the case of where there is a municipality within a municipality, and then we exempt the total area. Then where there are areas with roads being travelled on, and where they are not connected with the general road system of the province, those are also exempted. I think that is in general terms. There is such a number of them here.

Q. Well, generally speaking you do not issue licences for the very farthest parts of the province, in the north, nor on the coastal region, between Prince Rupert and Powell River, and I believe for some of the islands off the coast?

A. That is correct. When we took over the administration first the line along the Canadian National was exempt, but now we go almost to the northern part of the province.

Q. And you also exempt trucks operating solely within a municipal area.

A. That is correct; but not passenger vehicles -- apart from taxis; they are specially exempt.

Q. The one exception to that is in the city of Victoria, I understand, where you have several municipalities within the greater city of Victoria.

A. Yes; we have a five-mile limit there from the City Hall.

Q. Now, what is the general principle followed in the setting or approving of rates for motor carriers in this province?

A. The rates are filed in general with the Commission. We have one or two prescribed rates, but in general they are filed by the carrier. The application is made for filing by the carrier, and this is investigated in the field either by one of our inspectors or by our rates examiner or both, and what we try to do is get the carriers in a particular area together so that they agree on a common tariff. Then that is further examined by the superintendent and also by the Commission, and is granted or otherwise.

Q. Now, do you generally attempt to apply the cost-of-service principle?

A. We attempt to do that as far as the data permits. We believe that that should be the basis of the tariff.

Q. That is the general policy you strive for.

A. That is correct.

Q. Now, you have certain questions arising in regard to interprovincial trucking and also as between British Columbia and the United States. Would you

describe briefly to the Commission your general policy in that regard

A. Well, with regard to that, we have the boundary between here and Alberta, also the Yukon and the United States, the State of Washington in particular, and in the matter of licensing, if they wish to come in say to Vancouver, we treat them in the same way as we would one of our own carriers operating from Vancouver say to Seattle. A carrier can come in once a month into the province without either permit or licence from any of these areas, and the reason for that is that quite frequently a carrier will not know about the regulations, and it is very inconvenient for him to be stopped at the border. Then after he has made this trip he either has to get a permit or a licence, and we decide on the basis of public convenience and necessity whether he gets that or not.

Q. And if it is a foreign carrier, do they file tariffs with you, the same as ---

A. Well, they file them in the sense that they are filed for our information, not for approval.

Q. You do not approve of those?

A. No, except within our own territory.

Q. Except within your own territory

A. Yes.

Q. That portion of the route that is within your own territory?

A. That is correct.

Q. Now, would you say that generally speaking the trucking industry in this province is competitive with the railways?

A. To a certain extent, -- that is, where there are roads parallelling the railways, but over the larger part of the province there is not any competition.

Q. No competition for the railways at all. I understand particularly the Canadian Pacific Railway own or control certain trucking lines in the province of British Columbia?

A. Yes.

Q. Could you give the Commission some particulars of those lines?

A. Well, one important one is the Island Freight Lines. It covers the whole of the island, or practically so.

Q. That is, the whole of Vancouver Island?

A. Yes, and Dench of Canada, -- that is the name of the company -- they operate from Creston through to the Alberta boundary; and what is known as the O.K. Valley Freight Lines, which operates in the southern part of the Okanagan Valley. I think that is all that the C.P.R. are interested in.

Q. I understand as far as those operations are concerned you place special conditions on the licences?

A. Not on those, I mean not different from the conditions we place on all other licencees. They come under the Motor Carrier Act in the same way as any ordinary licence.

Q. And are they permitted to carry freight in competition to the railways?

A. Yes.

Q. If the railways applied for a licence for themselves would you grant them a licence unless they

were carrying it partly by rail?

A. We have not done so so far; that is our present policy.

. That is, before the C.P.R. could directly get a licence they would have to show you that they were carrying the goods partly by rail?

A. Partly by rail, and that the trucking was complementary to or co-ordinated with the rail service and was designed to give more efficient service than could be given by rail alone.

Q. Do you think, doctor, from your experience as Chairman of the Board, that there is any real problem with regard to interprovincial trucking as far as British Columbia is concerned?

A. We have not found any real difficulty. With regard to Alberta, we treat their people, as I said, the same way as we treat our own. I understand that their regulations are not as strict as ours, but we have had no real problem. As far as the Yukon is concerned, they are, I understand, bringing in regulations similar to ours.

Q. Have you any other matters of general interest you think might be of assistance to the Commission?

A. Well, I don't know; the Commission probably can enlighten me there.

COMMISSIONER ANGUS: Q. Has there been any discussion with other provinces as to similarity of regulations

A. Oh, yes. I am glad you mentioned that. The boards of the four western provinces, we hold a conference every year, every fall, and that is one of

the big items of discussion. We discuss all common matters; that is one of them.

Q. Has it been effective in producing fairly similar regulations?

A. To some extent. The difficulty there is, as I have said before, the Alberta policy is much less strict than ours or than Manitoba or Saskatchewan, and we have not been very successful there.

Q. Do you think it would be desirable to have some attempt at a common policy for the whole of Canada?

A. Well, I am not familiar with the east, sufficiently familiar to make a definite statement there, but I certainly think it would be for the west, and the matter of the east has been discussed, but at our meetings we felt that we had not got sufficiently far ourselves to contact the east with a view to developing that policy there; but in general I would say yes, it is a good idea.

Q. If that were done, what sort of mechanism do you think would be effective?

A. Well, that is a difficult one. If you could get the provinces to co-operate that would be a very nice idea, but otherwise you might have to create some other body which would handle that particular phase.

COMMISSIONER INNIS: Q. I am not sure, Dr. Carrothers, about the arrangement between Alberta and British Columbia. I presume that if an Alberta truck gets a licence in Alberta it then must get a licence from you as well if it comes into British Columbia territory?

A. Well, as I said, it can come in once without either a licence or a permit, and then what happens

usually is, they ask for a special permit to bring in a particular load of freight, then if they want to come in continuously they must take out a licence.

Q. What do you mean by a special permit?

A. Well, just to make one trip, or for thirty days, one or two trips or thirty days, or some of them go as high as sixty days.

THE CHAIRMAN: Q. The licence is for a year?

A. Yes.

COMMISSIONER INNIS: Q. And they would pay licence fees both to Alberta and to you?

A. Yes. Yes, we have no reciprocal arrangement.

Q. So that means that any extensive interest in interprovincial traffic means paying double licences?

A. That is correct; and in the case of permits the fee of course is much smaller in relation to the time for which it is given.

THE CHAIRMAN: Mr. Covert, any questions?
Anybody else?

CROSS-EXAMINED BY MR. FRAWLEY

Q. Dr. Carrothers, you say that the boards of the four western provinces meet each year?

A. Yes.

Q. You mean the Public Utilities Board in Alberta?

A. Yes.

Q. And your Board?

A. Yes.

Q. And then Manitoba and Saskatchewan?

A. Manitoba and Saskatchewan.

Q. Do you mean the Public Utilities Board or the Highway Traffic Board?

A. The Highway Traffic Board in Alberta -- similar boards, boards doing similar regulatory work.

Q. Then you meet with the Highway Traffic Board; your discussions with the Highway Traffic Board of Alberta would be restricted entirely to the matter of the licence plates issued, the licensing of the vehicles?

A. In the main, but we discuss all problems that may arise. We do not confine ourselves to any particular problem.

Q. You know, of course, that there is no regulation of rates whatever in Alberta.

A. No. Well, with Alberta, if it were Alberta alone, then it would be, I think, fairly correct to say that rates is the main matter that would be discussed in any definite sense.

(Page 2442 follows)

Q So that you would discuss with Manitoba, Saskatchewan and yourselves rates, and you would discuss with the whole ^{four} provinces the licensing of the trucks, how much you should charge, how many wheels they should have, and so on?

A With Alberta we particularly discuss rates. We are trying to enlighten them there.

Q That is just an education as far as Alberta is concerned?

A That is correct.

Q They come to learn and then they go back over the mountain.

A They listen in on that particular phase.

Q There are two or three things you have said that I should like to ask you about. I am principally concerned with the rates. We understand that all provinces have roughly the same sort of legislation with regard to licenses of the vehicles?

A Yes.

Q And roughly speaking the same division of the licenses of the vehicles?

A That is correct.

Q Let us talk about rates. You say that the rates are filed by the carriers. What does that mean?

MR. BRAZIER: I think I might advise you that the superintendent of motor carriers is going to follow Mr. Carrothers and will give full particulars. We have a rate man here, too, who is much more familiar with the detailed operations of it. Probably if you would ask him those questions it might be better.

MR. FRAWLEY: I would be glad to. I have known Dr. Carrothers for many years, and I know that we will get along very well. If there is anything he cannot answer I am sure that somebody else will answer.

THE WITNESS: That is fairly simple. As I said previously first of all the rates have to be approved by us, all rates, whether they are for scheduled carriers or for those carrying general freight or for private freight. All have to be approved by us. The first thing that happens is that the carrier makes what we call an application for filing.

THE CHAIRMAN: Q. An application for what?

A For filing, for filing of the rate. Then if we approve that rate for filing that becomes the legally chargeable rate, and the only legally chargeable rate for that carrier.

MR. FRAWLEY: Q. Now, you did say something in connection with the filing of the tariffs. You did say that the carriers in a certain area get together and they agree on a rate?

A We try to get them together so as to avoid - so as to get uniformity of rates within an area where they are doing similar work and carrying similar commodities.

Q Just correct me if I am putting a wrong interpretation on this. The carriers get together and they agree on a rate?

A Yes.

Q That might be a violation of the Combines Investigation Act so they go to the provincial board and the provincial board validates it.

A The provincial board comes into the picture right away because as soon as that application is made our inspector in that particular area is notified, and he makes an examination of the situation. That is the first stage. Then if it seems to be possible and desirable to get the whole group together within that area the usual thing is our rates examiner goes out, and it may take quite a considerable time.

THE CHAIRMAN: Q. In the meantime what rates are the truckers charging?

A Whatever rate they have already filed.

Q Their old rates?

A Yes. Then after negotiations a rate is arrived at in common with our staff, and then it is presented to the Commission.

MR. FRAWLEY: Q. Not only the carriers agree but a member of your staff agrees with them?

A That is correct.

Q If the carriers agreed alone the fact that they were all concerned about it might be objectionable?

A Oh, yes, but it does not happen. It would be very foolish on our part to be regulating and not doing it.

Q Then you exempt trucks plying for hire in a municipality?

A Within one municipality, and then also within certain specified areas.

Q Take, for instance, people in the Vancouver area. Would you exempt traffic between North Vancouver and Vancouver?

A No.

Q That is regulated?

A Yes.

Q Traffic between one extreme end of Vancouver and the other extreme end would be exempt?

A That is exempt, and a certain distance into Burnaby for practical reasons. I think it is a quarter of a mile which comes in with Vancouver.

Q What would be the total extent of the exemption there in terms of miles from one end of Vancouver to the other?

A I don't know how far it is across. I would be guessing, but it must be in certain parts as much as twelve miles across.

Q Would it be what is called greater Vancouver? I heard Mr. Brazier say greater Victoria. There must be a greater Vancouver, too.

A No, it is just Vancouver with this portion of Burnaby.

Q Does it go out to Ladner?

A No. It is exempt within Richmond or within Surrey, but not if they go from Vancouver out to any municipality in the valley. New Westminster is in the same position.

Q One of these P.S.V. carriers can charge anything he likes from one extreme end of Vancouver to the other?

A Except in so far as he is subject to municipal control.

Q Is there any municipal price fixing?

A I don't think so.

Q So we have a situation that a man travelling within the limits of Vancouver City can charge what he

likes, but if he goes ten miles, five miles, two miles out he must charge the rates which you fix.

A That is correct.

Q Now --

A I might say they have been considering in Vancouver doing away with that exemption for that reason, but I do not know how far they have got with it. Municipal councils are fairly jealous of their authority.

Q Is that the reason why there is an exemption, because the municipal authority wants to retain it?

A They tax these vehicles, and they are supposed to control them. Municipal councils have their functions in government, and one thing is we do not want to interfere in any way with the legitimate functions of municipal councils.

Q Even though in the matter of rates they are not exercising that function?

A That is true.

Q Now, you say you have a licensed operation from Dawson Creek into Edmonton?

A Yes, in so far as a part of that route is within the bounds of British Columbia.

Q I was wondering about the mechanics of it. A truckload of stock leaves Pouce Coupe for Edmonton. Is any part of that rate fixed?

A Yes, the part covering the rate within the province of British Columbia.

Q It would be a rate from Pouce Coupe to Edmonton of so many cents per hundred pounds?

A Of course, we do not control all that, but we have

information as to what the rate is. We have no authority to say, "you must maintain that rate in the province of Alberta."

Q I was only suggesting that in essence it is not a rate from Pouce Coupe to the Alberta line; it is a rate from Pouce Coupe to Edmonton.

A That is true in essence.

Q I was wondering what measure of control you would have on the British Columbia part of the rate?

A That would depend entirely on the circumstances. At the present time, when the demand for service is high, there is practically no problem because they all want higher rates. There is very little likelihood of any rate cutting at the present time. That would be more likely to arise in a depressed period, or when the demand was low, and the same is true in the Yukon, that at the present time we have no rate problem as between this province and other parts of Canada. That is due to economic conditions.

Q I wanted to find out what measure of control you actually could usefully exercise on a truckload of live-stock from ^{the} Pouce Coupe country, Rolla or any of those points, down through Sexsmith and Grande Prairie into Edmonton ? What measure of control can you exercise on the British Columbia part of it?

A It depends what you mean by control. They can, to use a colloquialism, put it over us by saying they are charging a rate in British Columbia and then charging a different rate, telling us they are charging a rate in British Columbia. That is the only place where we have control, but they could actually charge a different rate in

Alberta.

Q Yes, but what I mean is you could say to that P.S.V. licensee, "you may only charge from Pouce Coupe to the Alberta line so many cents per hundred pounds." You could say that?

A Yes.

Q You agree that is all you can say?

A Yes.

Q Would that be a practical thing on interprovincial movements, because the livestock do not remain at the interprovincial line. They go by the interprovincial line just like that.

A There is a definite weakness there, but of course we could cancel his licence.

Q For what, if he charged more than what?

A More than his filed rates, more than the legal rate or less.

Q That is what I mean. Does he file a rate from Rolla, the originating point, to this point on the British Columbia-Alberta line where there is no village at all? Does he file something for that?

Yes, that is all he can do.

Q He actually files that?

A We have information as to what he is charging for the whole of the route.

Q Oh, yes, I know, but over that you have no control?

A No.

Q But you say you do know, and there is a law which prescribes the rate which he can charge as the maximum from the point of origin to the Alberta line?

A That is right.

Q That is filed with you?

A That is right.

Q And how much more is charged on top of that is something that you are not concerned about.

A We have no control whatever. It would only be an indirect control. If we found he was behaving in an anti-social manner, in a manner detrimental to the public, we could take into consideration the question of not allowing him to operate in the province at all.

Q There is another aspect of that. You say you have a rate from Rolla to the point on the British Columbia-Alberta line, and it is for a movement which is going on into Edmonton. That is a rate which is filed with you, and over which you would have direct control, over a shipment beginning at Rolla and terminating at the Alberta line?

A That is a filed rate.

Q And that is the only rate of which you have any knowledge?

A Any official knowledge.

Q Or concern?

A Yes.

Q Now, then, do you think it would be fair to insist that rate be charged when he^{is}/going another 300 miles to get his livestock to the yards in Edmonton? Do you think your rate really should apply, even for that portion of the through movement?

A You bring me back to the point I mentioned a little while ago, that we rather think your Highway Board should file rates similar to that.

Q That is true. Let us put that down as one of the

difficulties, shall we say?

A Yes, I admit the difficulty.

Q I think you have ignored the principle of tapering rather violently, have you not, when you say that the originating part of that route, let us say the first fifty miles, must be a local rate even though the trucker is taking that livestock from a man's farm at Rolla through to Edmonton to the plant?

A We are fully aware of the difficulties; we do not ignore them.

Q You say that the railways are present at the public hearings of your Board?

A That is correct.

Q That is exceedingly interesting. What do the railways do there?

A They try to make the best case they can against the trucker who is going to be competing with them, and the best case they can for themselves.

Q You give them a very courteous hearing?

A Yes, the same as anybody else. They are treated exactly the same as the truckers.

Q I am sure they are. I will go along with you on the courtesy, but I don't know about anything else. The result is that when you are fixing a rate from Vancouver to Chilliwack, or from Chilliwack to Vancouver, you know what the railway rate is?

A Yes, they are there to give us information.

Q And do you see that there is a relationship there, shall I say, between that rate, the railway rate from Chilliwack to Vancouver?

A We endeavour as far as possible to carry out the

terms of the Act which says that we may, but that practically amounts to a direction. It simply means that if there are particular circumstances that do not make it desirable to do certain things we do not have to do them, but we take that practically as a direction.

Q That is all very well, but to^{be}/very specific and plain about it, if the rate from Chilliwack to Vancouver was 50 cents by Mr. Evans' or Mr. O'Donnell's railways, what would you say to the trucker who was coming in for a franchise from Chilliwack to Vancouver?

A You mean about the railway rate?

Q What would you say to him, because you are prescribing his rate now. What would you prescribe it as?

A I think that what would actually be said could be told better by Mr. Brown and Mr. Jackson because these hearings I refer to are held by Mr. Brown, Mr. Jackson, Mr. Balthrop and Mr. Jaffray, who are our senior executive officials there.

Q But you are senior to them all?

A Yes, but we like to take the advice of the people who have been on the ground.

Q You would have all these gentlemen there from the railways too when you are deciding these matters?

A Just a moment. A report is made up. Minutes are kept; a record is kept of the proceedings at the hearings. A copy of that record is sent over, a copy of all reports of our inspectors, and a final copy of the 'preport of our Board. That is our departmental board. We go through those, and if we are satisfied that the matter has been carefully investigated, that all pertinent matters have

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Mr. Carrothers, cr-ex.

been taken into consideration, we approve it. If not, we go back to them and say, "here are the things that to our mind we would like to go into further."

Page 2455 follows

Q. You will understand me. I need not profess my assurance to you that everything would be done legitimately, fairly, and with the greatest consideration. You know why I am directing these questions to you?

MR. BRAZIER: I thought that my learned friend was under the impression that the Doctor sat at all the public hearings. He does not do that.

MR. FRAWLEY: Q. The certificate of convenience and necessity is, however, in the last instance, signed by you?

A. We have not, under the Motor Carriers Act, a certificate of public convenience and necessity. We grant the carrier a licence and that is under the Public Utilities Act. The licence is the controlling factor.

Q. Except that you do set the rates? You do tell the motor carriers what they can charge?

A. It amounts to that.

Q. And you are the person who ultimately, as chairman of those two Boards, - you are the chairman of both Boards, are you not?

A. It is one Board.

Q. But you do, in the last analysis, fix the rates charged by the motor carriers in this province?

A. I do not, personally. The Commission does.

Q. But your Commission does fix those rates?

A. It amounts to that. We approve the rates. It is just a matter of phraseology there. We do not actually fix the rates. We approve the rates.

Q. But that is the rate that they must charge?

A. Yes, it is the legal rate; but we do not like the idea

of "fixing" it.

Q. You may not ^{like} the idea of fixing it, but you do fix it? Let me take for example the movement from Chilliwac to Vancouver. If the railways charge 50 cents to bring in 100 pounds of, let us say, cucumbers, or whatever it is there now, what would the motor carriers charge?

A. That would be simply one of the factors taken into consideration with regard to rates. You mention Chilliwac into Vancouver.

Q. It is a good highway.

A. If the rate were such as to make it impossible for the railway to carry out its necessary functions as a carrier, then we certainly would not allow the carriers to injure the railways in the matter of giving efficient service to the public. That would be the principle that we would apply.

Q. I thought you said you fixed the motor carriers rate?

A. No. I suggest that you do not use the word "fix."

Q. But how could it be? You say you would not allow it to injure. Do you mean, if there was a rate there before you came in to approve it, is that what you mean?

A. That is so. Most of these applications for rates nowadays are for rates to be increased.

Q. I know that. And you say that if the rate was such as to injure the railways?

A. If the proposed rate, perhaps I should say.

Q. If such were the case before you, and the rate which is proposed by the carrier - you would look at it in the light of what the railways are charging, and if you think it is pretty low along that line, you won't allow it to go in?

A. That is right.

Q. And that is the policy in this province?

A. Yes.

Q. Do you think that is a good policy?

A. Well, in certain places. There are certain places where, in the winter time, roads do not exist, and the railways are the only means of transportation. Now, if you let these people come in and take away the cream of the business from the railways, that would put the railways in a worse position than is necessary, in regard to giving service to those people.

Q. Yet, for many years the province of Alberta laboured under what is locally known as the mountain differential. I am told that it actually operated on the level ground between Chilliwac and Vancouver; on the level floor of the valley.

A. I am not surprised.

Q. Now my friends say that it was not 25 per cent but something less than that. They say it was 25 per cent more than in the rest of Canada, let us say, than between Calgary and Edmonton?

A. Yes.

Q. But you say, notwithstanding that fact, that when the railways were charging 25 per cent more because of the mountain differential, you would see to it that the motor carrier is kept up to that rate?

A. You have to face facts when dealing with practical issues.

Q. There we have British Columbia screaming and making a fuss about the mountain differential and saying that it should be taken off, yet that very same province was keeping

its motor carrier rates up to that level.

A. I am not particularly interested in the mountain differential because it will be off on the first of July, anyway.

Q. I regard it as a perfectly obvious inconsistency. It is on today, this 22nd day of June. It has to do this very day with the carrying of strawberries in from Chilliwac.

A. No, I did not say that.

Q. What is the fact, then; I want to know the relationship?

A. I said we take that into consideration, and more particularly in areas which do not get 12 months service from the trucks. Chilliwac to Vancouver is not a proper example to take, because our judgment would be influenced by the facts of the situation as between Chilliwac and Vancouver.

Q. Is the rate which has been approved, now, as of this moment, by your Board, the same or nearly the same as the rate which contains the mountain differential on which the railways are now carrying the traffic from Chilliwac to Vancouver?

A. We found in the method we used to arrive at what we consider a fair and reasonable charge for services rendered, that sometimes the rate was above and sometimes below the railways; but it was in the neighborhood of the railroad tariffs; and that was altogether apart from the railways, because the railways do not come into the picture until all those preliminary investigations have gone on. That was arrived at without any consideration of the railways.

Q. Suppose I organized a small trucking company to

carry goods from the Fraser Valley into Vancouver and I established some rate which I thought was good enough for me, but which was about 60 per cent of the rate via the railways, which the railways were charging; and I went to you for a licence and for approval of that rate. You would refuse it, I take it?

A. We would relate that primarily to the existing rate in that area?

Q. On the railway?

A. No, for the motor carriers.

Q. But the motor carrier rate is, in turn, related to the railway?

A. If you want to go into that metaphysical line, then go ahead.

Q. I thought it was a dollar and cents line, not metaphysical.

A. I thought you were trying to confuse the issue.

Q. Oh, no, not purposely. Suppose I established a trucking firm and I went to you and said: I can carry those goods for less than the Canadian Pacific Railway is charging by about 40 per cent; will you please let me see if I can do it?

A. Did you not start out by saying: "In your lack of wisdom"?

Q. Yes; in my lack of wisdom, instead of putting my money into Home oil, I put it into that?

A. We would not allow you to go into unfair competition with the other truckers.

Q. And that is what you think Alberta should be going into?

A. I do not know. I am not dealing with Alberta.

CROSS EXAMINATION BY MR. COVERT

MR. COVERT: Q. Do the railways ever oppose the granting of a licence to a trucking concern?

A. Yes, quite frequently. In fact, we have refused licences to trucks on the basis of successful opposition by the railways.

Q. And the basis of the refusal - you really get back to public necessity and convenience; that is really the test?

A. Yes; and the railway is equipped fully to give service to the public.

Q. Could you not take the case, let us say, of something which had developed in respect of a standard rate from A in British Columbia to B in Alberta. It would over-run into a case where, perhaps, there is a prescribed rate in your province for that through run. That is different from the rate prescribed in the other province?

A. There isn't any rate prescribed in Alberta and we would not prescribe a rate for the through run. I think there is a section in the Act which says that it shall only apply to the jurisdiction of the province.

Q. Perhaps I should have said: A rate published by a trucking company?

A. You mean in Alberta?

Q. Take first the case of British Columbia?

A. Yes.

Q. A trucking company presents to you rates. Do they just take those up to border points, or what rate do they file with you? Is it a rate from a point in British

Columbia to a point in another province?

A. It might say that, but that would be only for our information.

Q. You are only interested up to the border?

A. Yes; and they would pay the same rate, the going rate, for say, two points within British Columbia, within that same rate area.

Q. But there are cases, I understand, where there are truckers in British Columbia who operate into Alberta, and from Alberta back into British Columbia?

A. That is right.

Q. Now, do they file rates in Alberta?

A. I could not give you the evidence on that; but the information I have is: No.

Q. Take the case, the same case, but only to the international border. Do you have a problem arise there?

A. Yes. It is the same problem. But in that case the I.C.C. exercises very strict control, and they inform us of the rate which they have prescribed.

Q. Are there cases where that rate - where, for instance, the rate in a state, in the United States, into British Columbia, is different than a rate that is filed with you?

A. I could not tell you that, offhand. Mr. Jackson or Mr. Brown could probably give you that information.

Q. Perhaps I should ask my next question of Mr. Jackson, and if you think he could the better answer it, just tell me. As I understand it, the rates are for definite areas, not province-wide?

A. Yes; on the whole, that is correct.

Q. Do you know whether or not that rates in different areas - whether or not they are perhaps sometimes based on two tolls of traffic?

A. That is right. We take the actual conditions of the traffic in the area. It may be that the rates are not so good, and so on. In other words, we keep, first of all, the cost of carrying out the transaction in mind, and then take all those other things in addition.

Q. I think you have some system of uniform accounting by the smaller truckers

A. That is right.

Q. Should I ask you questions about that?

A. Well, the general picture there, the problem that we were up against in the rate making, was the lack of accurate information on which to base the rates or on which to criticize the application, so the only way you can get that is by having them keep a record, a monetary record, of their transactions. It was all right, of course, with the larger companies, who had proper accounting systems and accountants and all that sort of thing, but some of the smaller operators did not keep proper books at all, so, after a considerable time and study and also a great many discussions with the operators themselves, we developed a simple system of accounting, which we prescribed; in other words, it is mandatory.

Q. That is set out, I believe, doctor, generally correctly in the Regulations which Mr. Brazier said he is going to file with the Commission?

A. Yes, it is printed there. And then in addition to that they must send in each year an annual report which is based on the record which they have kept, and we have an arrangement that those reports are satisfactory to the Dominion Bureau of Statistics, and it avoids these people making two reports, and we send it down to the Bureau.

Q. Now, based on these reports, the Commission does endeavour to allow the trucker to have rates that will pay his over-all costs plus some percentage on gross revenue?

A. A reasonable profit. In fact, we rather considered that as part of the cost of service.

Q. That is all, thank you.

THE CHAIRMAN: Q. I understood you to say that sometimes you refused licences to truckers upon the representation of the railways?

A. Yes, sir.

Q. That is independently of any proposed rates, is it.

A. That is correct.

Q. Just because you think that the railways are fully equipped for the traffic that is there, and that there should not be this competition; is that it

A. Yes; and very often it is a case where the commodity is such that it can be better and more satisfactorily handled by the railways.

Q. By rail?

A. Yes.

Q. Are there the two factors, one that the railways can attend efficiently to all the traffic that there is -- is that one?

A. Yes, sir.

Q. Another one is that the railways can handle the particular commodities better?

A. Yes.

COMMISSIONER INNIS: Q. Dr. Carrothers, just one minor point; you referred to meetings of similar organizations in the western provinces?

A. Yes.

Q. Is that an annual arrangement?

A. Yes, every year.

Q. You have your own association?

A. Yes; well, it is composed really of the senior officials -- the Commission and some of the senior officials.

Q. Do you publish annual reports

A. Well, we have minutes but they are not published; they are just for our own use.

Q. Well, would those bring out the difficulties to which you referred, as to lack of regulation between the provinces?

A. It would over a period of time. You see, we have been meeting for a great many years; we have been meeting ever since I have been on the Commission and that matter has been discussed quite frequently.

Q. Is there any way in which one could get a concise statement of the problems?

A. That would be a matter of hunting up these old minutes. I will see what can be done. You see, our secretary changes every year, so that that makes a difficulty there.

Q. Well, it is rather difficult to understand the precise character of the problem unless one sees that sort of thing.

A. Well, I think, Mr. Commissioner, the matter was brought out very well by Mr. Frawley here, the essential difficulty that there is there in the interprovincial, but, as I said in the earlier part, we have not found it a practical difficulty; that may be just because we are fortunate, because there is a real difficulty, there is a real problem there.

THE CHAIRMAN: We will adjourn until tomorrow morning at 10.30

---The Commission adjourned at 5.03 p.m. until 10.30 a.m.
Thursday, June 23, 1949.

A.R.

Canada
ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

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ROYAL COMMISSION ON TRANSPORTATION

Victoria, B.C.
June 23, 1949

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THE ROYAL COMMISSION ON TRANSPORTATION

Victoria, B.C.
Thursday, June 23, 1949

THE HONOURABLE W.F.A.TURGEON, K.C. LL.D. - CHAIRMAN

HAROLD ADAMS INNIS - COMMISSIONER

HENRY FORBES ANGUS - COMMISSIONER

- - - - -

G. R. Hunter,
Secretary.

P. L. Belcourt,
Asst. Secretary.

- - - - -

Mr. W. Brown

MR. BRAZIER: Mr. Chairman, I have arranged with Mr. Covert to file as Exhibit 29 copies of the Motor Carrier Act and the Regulations issued under that Act.

EXHIBIT NO. 29 -- Motor Carrier Act
and Regulations of
British Columbia.

MR. BRAZIER: Next I am going to call Mr. William Brown, Superintendent of Motor Carriers of the Province of British Columbia.

WILLIAM BROWN, called

MR. BRAZIER: Before Mr. Brown commences, I might file as Exhibit No. 30 a highway map of British Columbia issued by the Department of Lands and Forests. It is the latest map that we have, issued this year, showing all the highways, both principal and secondary, in the province.

EXHIBIT NO. 30 -- Highway map of Province
of British Columbia.

EXAMINED BY MR. BRAZIER:

Q. Mr. Brown, you are the Superintendent of Motor Carriers?

A. That is correct.

Q. Charged with the administration of the Motor Carrier Act under the Public Utilities Commission?

A. That is correct.

Q. How long have you served in that position?

A. In that particular position a year and a half.

Q. And prior to that I understand you were in the services for some period?

A. Yes -- not exactly so, Mr. Brazier. Prior to that I was with the Department as the Deputy Superintendent.

THE CHAIRMAN: Would you please speak up, Mr. Brown?

MR. BRAZIER: Q. Could you turn toward the Commissioner?

A. Prior to that I was with the Department as the Deputy Superintendent, but prior to that I was in the services.

Q. And prior to going into the services?

A. Prior to going into the services I was the manager of the Motor Carrier Association in this province.

Q. And you have therefore been connected with the motor carrier business in this province for some considerable years

A. For approximately fifteen years.

Q. Now, would you look at the map, Exhibit No. 30, Mr. Brown, and describe briefly to the Commission the various trucking routes in this province?

THE CHAIRMAN: I think we have a map here.

THE WITNESS: Now, to describe what you ask for as the trucking routes, if I may suggest, I do not think that that would give the complete information, because in so many cases they are not actual routes; rather are they a number of carriers working within specified areas but not necessarily over any one given route.

MR. BRAZIER: Q. Well, describe the areas generally, then, Mr. Brown?

A. So that if I could make that answer a little more general, Mr. Brazier, than you asked for, generally speaking we have this situation as applied to the geography of the province, Mr. Chairman: we have the complete northern area of the province that runs from

Mr. W. Brown

the Alberta boundary -- I will say Dawson Creek for easy reference -- from Dawson Creek northwest up towards the Yukon Territories. There is the Alaska Highway that runs right through that particular area, with particularly in the southern part of it a number of side roads and settlements and farming areas.

THE CHAIRMAN: Q. Is the Alaska Highway shown on this map?

A. Yes, Mr. Chairman. That is referred to by us as the Peace River area, and is what is known to us as our Licence District No. 21. Perhaps I should explain there, Mr. Chairman, to the Commission that the whole of the province is set up for organizational purposes in licence districts. Those licence districts are the same, as near as matters at all, to the mining districts in the province. Now, that is all contained and shown and set forth in the end of the Act. It is rather long and rather complicated, but as I go through and refer to licence districts I believe that it will be clear to you what I am talking about at that particular moment, and that area that I am now talking about is Licence District 21. There are 21 of them in all. Then if you will come south and a little southwest and start from Prince George, for example, you will see a main road that runs from just east of Prince George right west through to Prince Rupert. That area takes in ---

Q. Excuse me a minute, Mr. Brown. That road pretty well parallels the Canadian National Railways through there; is that correct?

A. By and large, yes, that would be so. That particular area is covered by I believe three of our

licence districts -- their numbers do not particularly matter -- but there you have an area that is composed of two things: one is that at Prince George you have a distribution centre for general freight that largely comes in from the east by train, also you have another distribution centre at Prince Rupert. Most of that merchandise reaches Prince Rupert by water, of course, and is distributed east. The eastern point, I believe -- I am not quite sure about this; this is rather a railway matter, but I believe it goes as far east as about Smithers. Prince George supplies the flow of traffic going west. Now, in addition to that you have in somewhat a minor degree freight reaching Prince George from Vancouver by the Pacific Great Eastern, by two or three truck lines that run up to Prince George.

Now, if you will come a little farther south from Prince George, there is an area there bounded on the east by Revelstoke, and if you draw a rough line north from Revelstoke until you get to Albreda, and then travel west from Albreda just south of Quesnel, and then if you will travel south but west of the highway, taking in the Bridge River district and travel south as far as Lytton, then if you will travel east from there and connect up with Revelstoke again, there you have another major area to us. That is composed again of several licence districts. I could mark these districts for the Commission later on if it would be of advantage to you, Mr. Chairman. Then south of that again you have roughly an area from Merritt and Lytton on the north down to the border on the south and west to the coast.

Now, east of that district you have another

district that is important to us, that runs north and south up the Okanagan Valley. The eastern boundaries of that are about halfway between, you will see, Kelowna and New Denver on your map there. If you will draw a line north and south roughly halfway, that would give you the eastern boundary of that district.

Then there is another district that runs from its western boundary to the lakes, the Arrow Lakes, that run roughly north and south, that run up through Nelson and Kaslo, and then east of those lakes you have a final district that runs right up to the top of the North Bend, takes in Golden -- the North Bend highway takes in Golden -- and runs across east to the border and south to the American border.

Those districts that I have described are to us areas that are controlled in a measure by inspectors that we have in those particular areas. An inspector does not only have one licence district in his area, he has several, and the areas that I have described are very roughly the areas where we have inspectors located in the field.

Is that sufficient for your question?

Q. I think so, unless the Commissioners wish further information. Now, Mr. Brown, would you in your own words just describe as briefly as you can the manner in which the Motor Carrier Regulations are administered under your jurisdiction?

A. Yes, Mr. Brazier.

Q. You might describe the types, the various types of licences, and methods of dealing with applications?

A. If I could take about fifteen minutes on that

explanation, I think I can cover the main points that will give the Commission an idea of just how the thing is handled.

First of all, Mr. Chairman, I should like to go back to what I have been talking about here, because that rather ties in with our physical method of administering the Act. We have in Vancouver the headquarter office of the Motor Carrier Branch, which, as Dr. Carrothers explained to you yesterday, is of course a branch of the Public Utilities Commission, and we are responsible to that Commission for everything we do, all our reports, but the actual technical work is carried out from the Vancouver office. Now, Vancouver being the head office, we have, as I very briefly described here, a number of field inspectors; there are eight of them in all. Here on the Island we have one headquarters right in Victoria. We chopped the Island in half, roughly, about Nanaimo, and we have another one in Nanaimo that takes care of the north end of the Island and the western end of the Island out to the Albernis. Over on the mainland we have that area that I described south of Merritt and Lytton, which is handled by two inspectors, whose office is actually in our own office in Vancouver, but that makes no difference to their physical operation; they operate as independent inspectors' offices, and they control as far east out of Vancouver as Hope, which is roughly a hundred miles, and a little way up the Canyon, up to Boston Bar, up the Canyon road. We have another office at Kamloops where we have two inspectors, an inspector and assistant. He has quite a large area there; he has a good deal of mileage and territory to handle, so we have two of them there. Going north

from there, we have another man at Prince George, who controls the area that I described from Prince George west to Prince Rupert. Up at the Peace River district we have another inspector at Dawson Creek. In the Okanagan Valley we have a man there with an assistant, and they control the Canyon Valley movements from Salmon Arm down to the border. Going east a little now, we have another inspector at Nelson, and going still farther east we have another inspector at Cranbrook. So, regarding our physical set-up, we have the main office and inspectors out in the field.

As I said, licence districts our licence districts for licensing purposes, are the same as the mining districts; I will explain to you later why that is, and you will see how it ties in with our actual system of licensing.

I think I should here say, as I heard some questions yesterday which really do not quite tie in with our set-up here, you see, here, Mr. Chairman, we do not use certificates of public convenience and necessity; we do not have P.S.V. licences; it is a motor carrier licence which is not to the firm doing business; the firm doing business is not the licensee, although he holds the licence, but it is the vehicle that is licensed in this province, so I could later on be talking about one licensee who would actually hold possibly fifty licences, because he has got fifty vehicles.

Now, our licences are of such a nature and such a type that whatever type of licence they may be, there is a condition of licence issued with the licence slip. That condition of licence lays down very clearly, and as specifically as we can word it, exactly what that carrier

may do. Whether he be a schedule carrier running over a route, it will say over which route he may run; it will make reference to his filed time schedules, so that the condition of licence specifically ties down the carrier to exactly what he may do.

THE CHAIRMAN:Q.Pardon me;you said that each vehicle is licensed?

A. Quite.

Q. Are the vehicles then distributed according to territory?

A. No, Mr. Chairman, not quite that. I was rather referring to a case like this -- let me advance to you the specific case of rather a large firm; we will take the B. C. Motor Transportation which is the large bus company in and around the lower mainland and running down to Seattle. That particular firm would have -- I am guessing, but we will say 80 licences. Each one of those licences on the vehicles is controlled by a specific condition of licence, because it is quite possible that all of the eighty may not be allowed to do all the same thing, so that the operation of each vehicle is clearly described in the condition of licence on that vehicle. Is that clear to you, sir?

Q. Is the territory also described?

A. His territory is also described. In the case of larger companies we do not actually describe it on the condition of licence, because it is so much that it is a physical impossibility to get it there, but we use in that case route schedule, and a reference is made on the condition of licence to the route schedule. In the case of a small carrier with possibly one truck

or two trucks the actual condition could be read, the actual circumstance of his operation could be read from his condition; that would ^{be}/specifically expressed right on the condition of licence. Is that clear to you, sir?

Q. Yes, except this: as I understand it, each vehicle has its own conditions?

A. Quite.

Q. Would the same owner of fifty different vehicles have in each case the same conditions?

A. Not necessarily. It could so well happen; in the case of the B.C.M.T. I believe that that is a fact, because all of their vehicles are interchangeable, so that they could use any one vehicle on any one route, so that all of their routes in their particular case would apply to their conditions of licence, and on their condition of licence reference is made as per route schedules filed and accepted, so that reference to this sheaf of route schedules can be made to see exactly what the condition is if required.

MR. BRAZIER: Q. Would this be correct, Mr. Brown: a carrier in Vancouver might have a truck operating between Vancouver and Chilliwack?

. Yes.

Q. That would show on the licence?

A. The case that you are supposing would be the case of the minor carrier that I mentioned -- I will call him a minor carrier. It would actually read on the condition of licence exactly what he could do, that he could pick up freight, for example, in Vancouver and make no deliveries till he got to Chilliwack, that he could not serve intermediate points, or on the other

hand that he could, as the case may be, but in that particular case there would be room to physically type it on the condition of licence, and it would therefore be typed there. Time schedules and route schedules are rather a matter, Mr. Chairman, of physical ability to get it all on one sheet of paper. Where it gets so big that it cannot be got on one sheet of paper we cannot type it there; then we go to route schedules, and we refer in the condition of licence to these route schedules or these time schedules. Have I explained that?

THE CHAIRMAN: Q. Might the same carrier, having regard to his different vehicles, have different routes?

A. Yes, Mr. Chairman.

Q. In that case he only uses the specific vehicles for a specific route?

A. No, not quite.

Q. Well, you began by saying that the carriers as such are not licensed?

A. It is the vehicle that is licensed. In the case of large companies -- I might mention the Pacific Stage Lines, for example -- you see, their business is such that it is felt advisable on our part that they may have their equipment licensed to cover all of their routes, so that according to their change of schedules and their operating difficulties they may at any time use any given piece of equipment on any given route, so that in their particular case a licence on one vehicle would make reference to all of their routes.

Q. Each vehicle is licensed for all of the routes?

A Quite, that is exactly it. I should like to go on now to tell you of the different types of licences we have. The different types or classes of licences that we have are each designed to take care of a particular type of operation. To start with passenger carriers we have first of all a public passenger licence. A public passenger licence is over a fixed route on a fixed time schedule, and it is prescribed to exactly those terms that he may not do any other business except over those routes and on those time schedules as filed and accepted by the motor carrier branch.

In order to allow him a little latitude over and above that, which is quite necessary as far as the public are concerned, there is another type of licence which is a limited passenger licence. A limited passenger licence is one that does not operate over any fixed route or time schedule, but rather does it have freedom to operate as required within an area. The area may be small or it may be large, but it is within an area. The area can well be the whole of British Columbia or it may be the lower mainland, we will say. That is designed and used to take care of public business such as charter trips, parties, parties that go out for picnics and so on, where some person or organization will hire the whole vehicle. That is the limitation, and what we understand and what we mean when we say a limited operation. That is its limitation; it is limited to that. It cannot compete as such with a public operation which caters to the public, which may stop and pick up the general public for a fare on a per head basis. A limited operation cannot do that. With bus licencees, bus companies, it is the

rule that they have both types of licences on their vehicles. They have a combination licence which is both a public and a limited passenger vehicle licence.

Then we have smaller passenger vehicles that we will refer to as taxis, although we do not officially recognize the word "taxi" under the Motor Carrier Act. To us he is a limited passenger vehicle, and his limitation is that he may only hire to the public his vehicle as a whole. A rather childish example perhaps is that you whistle down a taxi, and you hire his vehicle to go somewhere. That vehicle is yours by right of payment. For the hire and charter of that vehicle you can say who shall get in it and who shall not. That is the limitation of the operation he can carry out, and he is therefore a limited passenger vehicle operator.

In essence we have that same breakdown in freight vehicles. We have a public freight operator. Without too much repetition, a public freight operator is a carrier who operates on a schedule over a specified route that is filed by him.

MR. BRAZIER: Q. Would that be a time schedule, too?

A Yes, a time schedule. He is available to the public at large for general freighting business. The conditions of his licence will lay down exactly what he may do between any two given points however far apart they may be, whether he may only pick up at point A and deliver at point B, or whether he may give intermediate service all the way along that route. Then there is the limited freight operator. Before I come to the limited

freight vehicle licence there is another type of licence that we have which is very largely used in this province owing to our perhaps peculiar problems that we have to face in the interior of the province. He is a class 3 public freight operator. We call him a class 3. That is our distinction. He caters to the general public, not over any specified route or on a time schedule. Perhaps I might call him a radial carrier. I think perhaps some of the listeners may connect that up more easily. By and large he is licensed to operate within an area when and as the public require him. Again by and large, and generally speaking this is true, this is the over-all picture, he hires his vehicle as a whole to the public. He is not greatly concerned with the type of business that a public freight operator is concerned with. He is not concerned with small parcel stuff, and generally speaking he does not even file class rates. He has tonnage rates filed. He may have some contracts filed. He has hourly rates filed. In so far as trucks can handle bulk his is pretty much a bulk movement.

Throughout the interior of our province, and not only the interior but here on the lower mainland, there are a great number of carriers - I will tell you the comparative numbers of those carriers later on - of the class 3 type. It is a very useful type of licence. When I say "useful" I am thinking of the use to the public, not particularly of the use to the particular carrier concerned.

Then we have a limited freight licence too. I might even call him a contract licensee although we do not use

the word officially. Our official designation of the licence is limited freight carrier. He is in fact a contract carrier. His over-all picture is that he is up in the woods, for example, up in the northern Cariboo. He will have a contract with some mill, or somebody with logging rights, to haul all their logs. He has probably got logging equipment, and he is under contract to carry the whole of that work. It is not confined to the woods of course. We have that type of carrier down in the populated areas. For example, the carrying of fish could well warrant the issuance of a limited carrier licence to somebody. He has special equipment. Fish are messy and watery and perhaps cannot well be handled with other types of freight. He has a contract with the fish owner to carry all of his fish from point A to point B. He has an exclusive job which keeps his truck busy all day long, or his trucks as the case may be.

These limitations are again put into the wording of his condition of licence so that it is the condition of licence that in every case ties down the operation to exactly what it may be. The condition specifically states that.

Q Mr. Brown, you have certain private freight vehicles?

A I am coming to those now. To come to the private operators, there are two classes of private operators. A private operator is a person who owns his own truck and is carrying his own goods. That is the over-all picture of a private operator. That is split; there is a division there. There is the farmer who comes in there, and to

whom we give a special kind of private freight licence on the basis and on the understanding, and on his signed statement to us that he is only hauling to the market stuff produced on his own farm, and his own farm supplies back again. Provided he is doing that, and if he is not cheating and we do not catch him then we give him that farmer's licence. It is often referred to as a farmer's licence. It is actually a private freight vehicle licence.

Quite apart from the farmer we have many business firms, of course, that own their own trucks and carry their own goods. The question may be asked, is there a charge made for that? Are they carrying for compensation? In our opinion the answer to that is that the transportation is purely incidental to his main business as a furniture maker, if you like. He makes furniture, and when he delivers the furniture to a store in bulk or to somebody's house the actual delivery is purely incidental, and very much a minor part of his real business which is the making of furniture. He is in essence and essentially carrying his own goods. We therefore look upon him as a private freight operator and he gets a licence for a very nominal fee. In the final analysis it covers all trucks and buses and I will say taxis, limited passenger vehicles. It will carry all vehicles used for hire throughout the province. They are all under some type of licence.

THE CHAIRMAN: Q. They are not all used for hire?

A Not all used for hire.

MR. BRAZIER: At this point I should like to file as an exhibit with the Commission a statement of the

various licences issued for the year ending February, 1949. It gives the number of the various types of vehicle licences in this province.

EXHIBIT NO. 31: Statement of motor vehicle licences issued in British Columbia for year ending February, 1949.

Then there is a further brief statement of the number of licences issued as a total for the various licence years since the Motor Carrier Act has been in effect. It starts with the year 1940, and it shows that there is an increasing number of trucks.

EXHIBIT NO. 32: Statement showing numbers of various licences by years since 1940.

Q Mr. Brown, as briefly as possible would you describe how applications for licences are dealt with, and what consideration is given?

A Of course before a licence can be issued or considered the first step is that we must have an application before us to deal with. There are prescribed forms for the different types of licences whereby a person may and does make application for such a licence. Very briefly, Mr. Chairman, the way these applications are handled is that in so many cases they will come to us through our field men. Let us take one district as an example and stay with that example. Let us take Kamloops. A person in Kamloops considers that there is public need for his services as a carrier of one of the different types. He will go to the inspector's office, obtain forms, fill them out, and hand them to the inspector with his story as to why he considers he should be granted this licence.

In general our inspectors, before they even send

the thing to headquarter's office, will actually go out into the territory of the man and make their own investigation as to whether what the man says is true. Is there need for this service? Are there other carriers perchance in that area that are already giving the same type of service? Does this mean that it will just put another carrier into the field to take away freight from an existing carrier, or is there an actual need on behalf of the public for the service?

THE CHAIRMAN: Q. When you talk of other carriers do you mean other vehicles of that sort or do you include the railways, for instance?

A The railways receive their due consideration in these investigations, Mr. Chairman, in every case. I did not specifically mention the railways because it is a curious fact that the railways play a somewhat small part in our over-all picture because by and large they do not run through the areas of this province where, I think it would be correct to say, the majority of our licences is held. It is only in certain areas where the railways come into the picture at all. You see you have a railway from Prince George going west to Prince Rupert. You have two railways going east out of Vancouver. Largely the direction is going east, and they cross into Alberta and go east. You have the Kettle Valley line that goes up and down the Okanagan Valley, but apart from those railway lines in general terms the rest of the province is just not served by railways. Where a railway is affected it receives exactly the same consideration as a motor carrier would.

When the inspector feels that he has got the true picture of this particular application he will forward it to the Vancouver office where it is looked at and the data **studied**. If, in our opinion, it does affect other carriers to any degree the chances all are that a public hearing will be held on that particular application. Why I am saying if in our opinion it does affect other carriers is because it so happens in this province - I do not know what the experience is at all in other provinces - that on some of these applications for licences that we receive no other carrier is affected, and there would be no point in putting it to a public hearing. Nobody would have anything to say about it except perhaps the public that actually require the service. Often the applicant is the only person concerned. Nobody else is concerned so that there would be no point in going to the expense, time and effort of putting it to a public hearing. These matters are fairly clear. Where there is even a shred of doubt as to whether other carriers or the public, and particularly the public, are interested in that application it goes to a public hearing where both the public and other carriers, which includes the railways, have every opportunity to come and lay their case for or against the application.

COMMISSIONER ANGUS: Q. Is a licence once given renewed from year to year without inquiry?

A All things being equal, yes. There are quite a number of cases where the operating record of a particular carrier may not be very good. There have been a number of complaints, or perhaps he is not keeping up his service

as he should be. We have a system in our office whereby we star those particular licences, and at the time of renewal questions are asked as to why he considers that this licence should be renewed, but all things being equal the licence is renewed. Incidentally the licence is only for one year. At the end of the licence year, which is the last day of February, the licence automatically dies, and the Commission has the power to renew or not renew that licence for the ensuing year. I think I have rather forgotten where I was.

MR. BRAZIER: Q. You were speaking of public hearings.

A Public hearings are conducted, as most people know and understand public hearings. They are not quite so formal as a court of law. Our object in holding these hearings is really to get all the information we can that we feel might be helpful to us, both from the opposition and from the applicant. We get that information, and the result of that is that a recommendation is made to the Public Utilities Commission. There are verbatim minutes taken at all hearings and those are forwarded to the Commission with a recommendation that the licence be either approved or denied. The Commission then makes its decision on the facts as it has them before it.

I think the next point that I should deal with, and it is perhaps somewhat minor, is what we do about complaints of present licencees. In the over-all picture I think it is true to say that we do not get a large number of complaints. We do get complaints of course, whether it be a complaint of an over-charge of a rate,

or of lack of service, whatever the type of complaint may be. If it is handy to our Vancouver office we will send out one of our Vancouver inspectors to look into the matter and possibly ask the complainant to come to our office in Vancouver if he is near enough and it does not involve too much expense. If it is a complaint from the country we will send it to our field man in that particular area who will deal with it along precisely the same lines we would deal with it in our Vancouver office.

Our experience of complaints has been that I do not think I can remember one single complaint where satisfaction and agreement between the complainant and the carrier has not been reached. In the over-all picture we do not have a great deal of difficulty with complaints.

Q Will you now deal with the question of rate fixing and changes?

A Mr. Brazier, here and now if I may I should like to make it very plain that it would be very difficult for me to deal with the matter of rate fixing. I am not trying to be at all picayune in the matter but I must make it very clear that we do not fix rates. The word is used so many times, and possibly used loosely, but we do not do that.

Q How are the tariffs approved or determined?

A This is the method that is used, and which has been found to be fairly satisfactory. The onus of filing a tariff is originally and basically on the shoulders of the carrier. It is the carrier's job to file his particular tariff with us. Some of the carriers of the

owner-driver type possibly are not blessed with a great deal of education or knowledge, although they may be very good and worthy operators. He does not quite know how to go about the thing and he will come to us and we will give him guidance, but we definitely will not tell him what to do. We insist that be left in his hands to make his final filing so that we can deal with it. Where he wants help and guidance in so far as we can we help him and guide him as to what we believe might be a good thing for him to do.

In the case of the larger carriers that have accountants and so on, and have perhaps a certain amount of administrative ability that the smaller man may not have, they make up and file their own tariffs, so that one way or another it is the carrier who makes his filing. When we receive that filing, if it is a brand new filing, it is true we have no experience of that carrier's operations to go on, but we do have experience of similar operations, and it need not necessarily be in his own area. It is true we have that experience to draw upon plus possibly our own small measure of experience. We try to decide in general terms whether the charges that he is applying to make would be reasonable in so far as the public are concerned. We are only secondarily interested in him as a carrier because the whole legislation of the Motor Carrier Act is primarily designed as a protection to the public. Our thoughts are, is this a fair and just charge to place upon the public? Our thoughts run along the lines of what we know in general terms is the cost of operation, the value of his service.

When we talk about cost of operation I should like to say here that we include the over-all picture of the value of service, the whole cost of the concept of service he proposes to give to the public. We attempt to decide between what he applies to charge and what we believe would be a proper and just charge, as to whether or not his filing is acceptable.

If we find it acceptable we will so recommend to the Commission with our reasons for recommending. They will either agree with us or disagree with us. The same thing in principle, but a little more so perhaps, applies to applications for changes in tariffs. It is our experience that applications for changes in tariffs perhaps occur most in the more populated areas. Perhaps there are reasons for that, and they are inclined by and large to come from the larger carriers. There we are dealing with the type of person whom we can ask for specific and definite information such as financial statements, what his operating experience has been, why does he want this change? Incidentally the change, of course, is mostly upwards and not downwards. Added to that we have a certain amount of information of our own that is very useful to us.

There is an arrangement between our provincial government and the Dominion government whereby each motor carrier files, every year, a motor carrier's annual report. This report is a breakdown of his revenues and his expenses, and so on. Through an arrangement with the Dominion Bureau of Statistics, that report is filed through our office in the first place. We deal with them, in so far as we can; and when it presents a fairly clear picture of the main operations, we forward a copy of it to Ottawa, retaining a copy of it for our own files.

We found this was helpful when we got applications for changes, because we just go to the file and pull out the man's sheet, and we say to the man - as we have done on more than one occasion - it appears that you made \$20,000 last year, you showed that as a net profit; so why are you now asking for an increase in rates?

COMMISSIONER INNIS: Q. Is it not a question of the value of the service, the cost of the service that is referred to?

A. As I said a moment ago, we are perhaps suffering from growing pains in our industry and we are rather inclined at this stage of the game, anyhow, to look upon the complete cost; and when we say cost of operation, we rather mean the complete and total cost of giving that service. It is rather the practice to make distinctions there. But perhaps they have rather different problems to meet than we have. But we have found it to be reasonable and satisfactory to look upon the giving of service as a whole and asking: What does it cost you to give that service?

Q. What about different rates for different

commodities, or is it simply a matter of weights?

A. No, it is not. Your question would only apply in certain cases. It would only apply, for example, in the case of the public carrier, who caters to the public and who offers himself to the public as a common carrier. I would ask the railways not to quibble with me on that term. They know what I am referring to when I say "common carrier". We may call him that here, just for our purpose, a common carrier. He offers himself to the public to carry any commodity within the limits of his vehicle, be it something on the class rate, a small package, or perhaps two or three tons of stuff.

Q. But there is a sort of embryonic freight structure?

A. There is, very definitely. But if you are asking me: Do the public carriers, the common carriers, as I will call them, do they have class rates filed and tonnage rates and so on, the answer is Yes, they do. But that refers rather particularly to the public carrier; so I say, common carrier to make the distinction, - not to the public carrier which we call a class 3 carrier. He is a radial carrier and is much more inclined to carry bulk, whole truckloads of something. Therefore, his charge would be based more on the use of the vehicle for a given mileage, and for a specific time limit.

COMMISSIONER ANGUS: Q. In a period of falling costs, would you take the initiative in asking a carrier to reduce his charges?

A. Yes. In fact, we would rather do that before they get to the point of being filed charges and accepted by the Public Utilities Commission; when they are in the state

of being dealt with, it is quite a common practice for us to point out to the carrier: You are asking us to charge \$5, let us say. We will deal so much with a rate for a vehicle on an hourly basis; and we point out to him: Look, you have this particular type of equipment; the conditions under which you are going to work are such and such. Your loading and unloading factors are such and such. Can you give us any reasonable reason why your rates should be \$5 an hour, when it is a fact that comparable services in other parts of the province charge only \$3? Why do you want \$5?

And unless he can show us why he wants \$5 - perhaps he will say: I will change that. Then we say: It is up to you. You are making the filing. But if you leave it as it is, you will first have to convince us that the \$5 is warranted.

COMMISSIONER INNIS: Q. Do you become embroiled in labour difficulties?

A. I am afraid we have no part or parcel with such matters in our affairs. That is purely a matter between the individual company or carrier and his staff.

Q. But supposing the units came and asked you for an increased wage?

A. It might well reflect on any application for a change. In recent months, of course, that reflection has been seen.

COMMISSIONER ANGUS: Q. And if you approved a rate as being reasonable because of the costs involved, and then for some reason those costs fell - let us say that gasoline became cheaper, or something of that sort - and the question arose of renewing those rates for another year, might it not

happen that you would take the initiative in saying:
This rate which was once reasonable, is not reasonable any longer?

A. I think the answer to you is that: If, in so far as the carrier is concerned, such a happy state of affairs were to come about that his costs were to drop, then I think we would be prepared to take the initiative. But, in fact, I do not think that we ever would have to take the initiative because, in fact, you would have then such a condition - there are no monopolies that I can think of in the motor carrier business - there is always competition between one carrier and another; and you would have the factual situation of one carrier realizing that he could quickly get added business by legitimately reducing his costs; and he would be writing in to us to say: I want to reduce my rates. I think the thing would take care of itself without question.

But there is a question of policy involved there, and conceivably I might have to consult the Commission on that but it is possible that we would take the initiative.

Q. But it has not happened so far?

A. No, because the tendency so far is actually the other way. Costs have been rising and rising, and we have been faced with increases, certainly with no question of a decrease.

MR. BRAZIER: Q. Is it correct to say that once a tariff has been filed with you and accepted, it becomes the only legal charge that the carrier can make for the services he is rendering?

A. That is wholly correct.

Q. And he cannot vary it either upwards or downwards, without first filing and having accepted a new tariff?

A. That is wholly correct. I was going to state that. I do not think I have anything else to add before I come to that statement, except to say that with respect to our inspectors in the field, we train them inasmuch as we can, to know a reasonable amount about trucking rates. It is quite often that they can give us a lot of useful information; and applications are sent to them asking for specific information on this or that point. We do get a lot of information from the field; and, if necessary, we send our rate examiner out into the field, possibly to meet with various carriers in an area, or to meet with the public, or possibly to meet with both of them at the same time. That, you might say, is a public hearing, but not quite. It is not a public hearing in the sense that it is not a formal hearing, and is not advertised as such. But from our experience we have found that by dealing with our rate matters in this way, we actually get more and better and faster information than if we put it up to a public hearing where, sometimes, everybody tries to talk at once, and so many people talk off the point. That so often happens at rate hearings, you do not get at the actual specific point that you are after. But we do get the information anyway, and we do deal with it. But, of course, we are always prepared to hold public hearings when necessary.

Q. You might term it a public inquiry rather than a public hearing?

A. Probably that would be a better term. I think I have taken up much more time than I had in mind to, but I have covered the highlights of the thing and I don't think there is

anything further I need say, unless somebody would like to ask questions.

CROSS EXAMINATION BY MR. FRAWLEY

MR. FRAWLEY: Q. Mr. Brown, were you not definite in saying that you did not fix the rates for the public carriage of goods in this province? And when I say goods, it is freight with which I am chiefly concerned.

A. That is true, but with three very small exceptions. Dr. Carrothers mentioned those exceptions yesterday. The over-all picture of that statement is true, yes, We do not fix the rates, but there are three exceptions. The exceptions are relatively minor. There are exceptions. The feeling of the Commission is that they do not want to say what the rate is and prescribe it. That is rather a matter for the carrier to say what the rate should be. And if the carrier is within what we consider to be reason, then his rate will be accepted for filing. Now, as to the exceptions, there is this traffic I mentioned that runs from Vancouver to Prince George. Those carriers who happen to be only two in number, work under a prescribed tariff.

Q. When you say "under a prescribed tariff", what does it involve?

A. If you take Vancouver and travel east, and then a little north -

Q. How far east?

A. A hundred miles.

Q. To Hope?

A. Yes; and then turn north.

Q. To Lytton?

A. Keep going.

Q. Up to Williams Lake?

A. Keep going.

Q. To Quesnel and Prince George?

A. Now you have got there.

Q.
THE CHAIRMAN: How many carriers are there?

A. There are only two.

Q. And how many vehicles does that mean?

A. I think that one of them has six vehicles, and I think the other has seven. Roughly, that is correct.

Q. So that all those 12 or 13 vehicles carry the same form of licence and conditions?

A. Yes.

Q. And therefore they carry the same kind of business?

A. Yes.

MR. FRAWLEY: Q. What is the exception in those cases where the Board fixes the rate?

A. There are two other cases; one is the sightseeing business in Victoria, on which the Commission has decided to set the rate; and the other case - -

Q. Mr. Brown, I want to talk about freight. We will just skip the sightseeing people. Let us not worry about the sightseeing part of it. Tell us about the freight?

A. To tell you about the freight, I still have to go to the third exception.

Q. But I have only the one exception so far, and that is from Vancouver to Prince George.

A. Will you let me answer your question in my own way? I am trying to give information to the Commission.

2. Very well. I would like to have an answer. You said there were three exceptions?

THE CHAIRMAN: Have you not rather lost sight of the question?

MR. FRAWLEY: I want to know what the three exceptions were.

THE CHAIRMAN: Exceptions to what?

MR. FRAWLEY: Exceptions to the rule that the Commission does not fix rates.

THE CHAIRMAN: But we have already had one.

MR. FRAWLEY: Yes, Mr. Chairman; but the witness is speaking about a third.

THE CHAIRMAN: Q. Oh, you say there are two others?

A. Yes. There are three exceptions. I mentioned one, the one to Prince George; and then there is the one about the sightseeing in Victoria.

Q. But Mr. Frawley is interested in the freight.

A. The third one is freight, yes. It is in the area in the Okanagan Valley which runs from Salmon Arm to the border. There is a prescribed tariff in that area which deals with freight. It happens to be largely fruit, but it is still freight.

MR. FRAWLEY: Q. Whereabouts in the Okanagan Valley?

A. From Salmon Arm down to the border.

Q. And what about the cartage of freight from Vancouver to Prince George? And the movement of freight in the Okanagan Valley; those were the exceptions, those two cases?

A. In answering your question, I am perhaps answering a question on policy of the Commission; but as to the reason, I have no hesitation in saying that it is not the

policy of the Commission to prescribe rates where the situation will take care of itself by the carriers filing their rates; and such a rate as can be accepted, in these particular cases. It was found years ago that the situation was out of hand, a little unmanageable. So finally the Commission exercised its authority and said: Look here, you fellows, you carriers and shippers, if you cannot come to some arrangement whereby you can file with us something that we feel we can accept, then we will step in and tell you what the rate is going to be. That is, in effect, what was done.

Q. So it is, roughly, an historical reason why the Board fixed the rates on their own initiative on that movement from Vancouver to Prince George and the movement in the Okanagan Valley?

A. You must bear in mind all the conversations that went on at that time.

Q. Now as to the other reasons, you say the carriers make a filing and then you approve or disapprove of it?

A. That is right.

Q. And that can only become the legal rate to be charged, when the Commission has approved of it?

A. That is right.

Q. And that is the degree of regulation of rates in British Columbia?

A. That is the substance of the regulations. I would not say it is the degree, ^{because} that is rather difficult ;but it is the substance of it.

Q. There cannot be any legal charge except it be upon a tariff of which the Commission has approved?

A. That is right.

Q. Now, as to the movement of livestock from the Peace River country into Edmonton. What, particularly, if any, does your Commission exercise? We were told in Edmonton that there was now a movement from the Peace River country into Edmonton. I assume that some of it comes from across the British Columbia line?

A. Are you assuming, or stating?

Q. I assume that some of it would originate in the Peace River block.

A. Are you assuming or stating?

Q. I am assuming.

A. When you say: If there was such a movement, what would we do about it -

Q. That is right; what regulations, what rates would you have?

A. What do we have? None, because, to the best of my knowledge it does not happen. You say that you assume that such a movement is going on. If your assumption is correct, what we would do would be the following: The movement of livestock is obviously such a movement whereby the whole of the vehicle must be chartered to the person, to the farmer. Therefore, you are dealing with a movement of a vehicle which should be on an hourly basis, possibly a mileage basis. I do not know until I actually see the filing of the conditions.

Q. Did you never hear of a trucker, a public service vehicle trucker, stopping at one man's farm to pick up one head, and then stopping at another head to pick up two more head, and so on, taking them into the market?

A. What is a public vehicle?

Q. A common carrier?

A. That is public freight. No. I have not heard of our public freight operators, whom I loosely refer to as common carriers, stopping to pick up horses.

Q. Horses or steers, for market?

A. A steer would take up more room, even more so.

Q. Well, what about the movement between Cranbrook and Calgary.

A. Movement of what?

Q. Anything, general merchandise.

A. Exactly, what do you want to know?

Q. What regulations and rates have you got? I am only concerned with the regulation of rates.

A. I want to be quite clear as to the question. The regulation of rates applies to Mr. Dench just as it applies to anybody else. He has filed rates which have been accepted and approved. What they are, I cannot tell you. I would first have to refer to his file to see.

Q. Can you tell us the considerations which entered into the fixing of the rate which Dench charges?

A. I think the general considerations, - in the first place, his rates were filed as an individual company, run and operated by Dench. But it is now run and operated by the railroad. But I feel no difference has been made in the tariffs and that his former and original filings are still there.

Q. And in so far as the British Columbia part of that haul is concerned, the traffic would have to be carried by the rate which was approved by your Commission?

A. In so far as British Columbia is concerned, yes.

Q. And if another trucker, let us say, offered the shipper to carry his goods from the border, say from Crows Nest to Cranbrook, you would not permit that?

A. You want a yes or no answer. I am not prepared to say yes or no. We would want to know: Why should he do it; would there be any benefit there to the public; at what rate would he propose to do it?

Q. At something less than you had already approved.

A. I think, along general lines, as a general principle, merely because somebody comes along and wants to do something at a lesser rate than the existing one charged by the present operator, we would not be too favorable to it, all other things being equal.

Q. You would not take into account that it might furnish some competition with the railways which parallel this movement? It is parallel with the railway line, is it not?

A. Yes.

THE CHAIRMAN: Which movement?

MR. FRAWLEY: From Cranbrook to Calgary, crossing the border at Crows Nest, B.C.

THE CHAIRMAN: Yes.

THE WITNESS: Would you mind asking your question again?

MR. FRAWLEY: Q. I say that that particular movement from Cranbrook to Crows Nest is paralleled by a railway movement?

A. Yes.

Q. And the fact that that particular carrier might like

to offer some competition to the railroads would not enter into your calculation?

A. If it were merely on the basis of competition, no. There would have to be something else besides.

Q. So the fact that some competition would be offered to the railroad in the matter of rates, would not enter into the calculation in this matter?

A. Yes and no.

Q. Let us have both.

A. If you have a condition of competition that we would consider healthy from the point of view of the public and if competition would be to the public advantage, to the ultimate public advantage - that is, if we felt that such competition would ultimately be in the public interest, which, of course, would take in the field of rates, which is only a part of the picture, then we would give that very serious consideration. But, if, as you suggested to me by your question, that it is just some competition, then that of itself would not weigh greatly with us.

THE UNIVERSITY OF CHICAGO

PHYSICS DEPARTMENT

REPORT OF THE PHYSICS DEPARTMENT

FOR THE YEAR 1900-1901

PRESENTED TO THE FACULTY OF THE UNIVERSITY OF CHICAGO

BY THE PHYSICS DEPARTMENT

CHICAGO, ILL., 1901

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Q. The desire to simply share in the business, just the desire to share in the business with the railway and to participate in that business by reducing the rate -- that you would not give any particular blessing to?

A. I am trying to say to you, Mr. Frawley, that if that is merely the carrier's desire, we are not so particularly concerned with the carrier's desire as with what will ultimately redound to the public interest. If the public interest is tied up in that desire we will give it consideration, but if it is merely that desire, period, I do not know that we are greatly concerned with it.

Q. And you would not feel like making a start, at least, and letting the man carry it at something less, just to afford to the public some competition, some rate competition, some price competition, through the railways; that would not enter into your calculations?

A. I would awfully like to see the specific application to deal with that in answering that. You are putting a rather hypothetical situation that does not exist, that I conceive it hard to exist, so that the answer is somewhat difficult.

Q. So that there is not any doubt about it, the regulation of the rates in the trucking industry in this province does keep down the competition from the trucks; that is pretty obvious, isn't it

THE CHAIRMAN: Does keep down?

MR. FRAWLEY: Q. Does keep down the competition from the trucks

A. Do you mean competition by the trucks

Q. I mean by the trucks, yes, from and by the trucks.

A. Well, that may be your expression of your thought, but I do not know that I altogether agree with your words in the way that you have phrased that.

Q. It is just a question, Mr. Brown, just a simple question. I put it to you, it is a fact that you do regulate the rates in the manner which you told us militates against having truckers going into the business of carrying goods in this province?

A. I think the answer to that is rather, does it control the existing condition as is? As to whether it stops other people coming in or not, I do not think I can answer that question.

. That is what I am interested in knowing.

A. You mean, does it control the situation as it exists now? Of course, the answer is yes.

Q. All right, that is one answer. Now, does it keep down the competition? Does it mean we have fewer truckers moving goods on the highways of this province than would otherwise be the case if there were no rate controls?

A. I do not think any man can answer that question; he can only guess. If you want me to guess, you can put my answer down as a guess.

Q. No, no. Now, you tell me that you sometimes limit a trucker from doing intermediate business?

A. Intermediate business between two specific points?

Q. Pick-up and delivery at intermediate points?

A. That is right.

Q. In other words, if I had a licence from you to truck between say Fernie and Cranbrook, you might

prescribe in what you call the condition of my licence that I could not deliver to these places, Elko and Galloway and Gardner and Fernie?

A. We might, yes.

Q. You might do that

A. We might.

Q. What would be the purpose of that limitation?

A. The purpose of that limitation would be rather this, Mr. Frawley, that if such a prescription were -- just let us suppose that ---

THE CHAIRMAN: Q. If what?

A. If such a prescription were put into your condition of licence, I have got to presume that your application would be to enter into direct and needless competition with some other carrier that was already giving precisely that service.

MR. FRAWLEY: Q. Perhaps a railway?

A. Oh, perhaps.

Q. Yes, perhaps a railway?

A. Perhaps -- in fact probably, in that area.

THE CHAIRMAN: Q. What do you mean by needless competition?

A. Competition that could serve no useful purpose to the public, Mr. Chairman -- that the public was getting adequate and ample service now.

Q. What harm could it do?

A. It would possibly do this, and our experience has been this, that if you have any particular route that is over-licensed and over-trucked, you are setin up a beautiful condition there that is conducive to rate

cutting. The rate cutting and the unbridled competition between carriers eventually in the long run, our experience has shown, means this, Mr. Chairman, that these people get insolvent, they go broke, they cannot maintain their equipment, they cannot maintain the service they offer to the public, and eventually the poor public suffers by getting a very indifferent service or perhaps no service at all.

Q. But Mr. Frawley, I think, was talking only in this area of competition between the railway on the one hand and trucking on the other hand, not different trucking concerns operating against each other?

A. Yes.

Q. How would you answer that?

A. Well, I felt that I had answered that, Mr. Chairman, by saying yes, we would probably take into consideration the railway's situation there -- in fact, certainly rather than probably.

Q. You see, the railways can stop at any station intermediate.

A. Quite.

Q. But you would say that it might prevent the trucks from doing the same thing.

A. It might prevent the trucks, yes.

Q. Why, then? Because the railways might be put out of business? Do you mean that?

A. I would not suggest that that would put the railways out of business, Mr. Chairman, but it might be, it could be -- this is all hypothetical; we are only supposing this case.

Q. As a matter of fact you do not do any such thing?

A. No, not in that particular area, but it could well be that if the public are receiving adequate service from the railway there is no need for additional trucking service there over and above what they already have, and we would look at that very carefully, and we would hesitate to grant an additional licence over that route that in our opinion would already be well served, and if we did deny it that condition would be so stated on the licence. But it is rather hard to answer you precisely and with precision there, Mr. Chairman, because one wants to see the actual situation and to appreciate the particular local problem to be dealt with before one can say yes or no. I can only answer in general terms as to what we might do.

MR. FRAWLEY: Q. Mr. Brown, you told me that you would impose this condition of no pick-up and delivery at intermediate points when the competing carrier was the railway. Now you have told the Chairman that it does not apply in the Fernie-Cranbrook area?

A. I think perhaps you misunderstood me. I did not tell you that we would do it; I told you that we might do it.

Q. Have you got an instance any place where you do impose this restriction against pick-up and delivery at intermediate points? Can you pick out any instance at all, whether the competing carrier is rail or highway carrier?

A.Yes, we do. I am just trying to think of some instances here. For example, you have a railway running from Prince Rupert to Prince George, Mr. Frawley. Now,

we have several applications pending over that road for motor carriers that wish to give a road service. Now, there are rather complicated conditions there that have led us up to the moment to not allow motor carriers to operate on schedule as common carriers over that road, but what we have allowed, which is only a partial answer, is that there is a motor carrier who operates out of Prince George west towards Prince Rupert, who has now entered into contract with the railway to carry railroad goods that are received at Prince George and forwarded by motor carrier, and he is under contract to the railroad to carry that out. That was the railroad's suggestion, an application. It all looked fair and reasonable to us, and that application has been granted. But in general and over a number of years ---

THE CHAIRMAN: Q. He is not competing with the railroad?

A. He in particular is not competing with the railroad.

Q. He is complementing?

A. He is complementary to; but there have been over the course of years many applications for freight line, motor freight line, over that road running west out of Prince George which have been denied -- not a hundred per cent, because there is a railway service there, only in part, but the other part is because in our opinion the traffic did not exist, the population was so sparse it would not have been an economical operation, and in so far as we could see it would merely mean possibly taking away from the railroads, who in our opinion were in that instance giving an adequate service, and putting it on

a truck, and there seemed to be very little point in that, so over the course of the years there is more than one carrier who has been denied that route.

MR. FRAWLEY: Q. Even though that carrier was perhaps prepared to carry it at something less than the rail rate?

A. Well, I cannot accept that, when you say "even though", because, frankly, I do not remember whether that was the condition or not, honestly I wouldn't know, but are you asking me just supposing that were the condition?

Q. Yes, would that have entered into it, if he had offered to carry it at something less than the rail tariffs

A. I do not think it would have been a major consideration. I think the answer would have been the same. It is rather the over-all picture that we look at.

Q. So that, whether the rail rates are considered to be a little too high or not, you do not look in the direction of the trucks in this province to keep them down?

A. To keep who down?

Q. To keep the rail rate down?

A. That is not their mission.

Q. No, that is not their mission; and apparently, if I may say so, your regulations rather militate against the trucks performing that function of keeping the rail rates down?

A. Yes, that would be your thought, of course.

Q. Did you ever hear tell of the fact that the trucks are keeping the rail rates down between Calgary and Edmonton? Perhaps you haven't any knowledge of that.

A. Not to a slight extent.

Q. Now, Dr. Carrothers told us yesterday that the Canadian Pacific itself would have to show that its service was complementary before it would get a licence; that is the note I took. On the assumption that that is a correct note, would you tell the Commission whether or not Dench of Canada operates between Crows Nest on the British Columbia line and Cranbrook and Fernie?

MR. SINCLAIR: Mr. Chairman, I think in fairness Mr. Frawley should say that Dr. Carrothers said, for a licence in their own name.

MR. FRAWLEY: All right; I am very glad to make the correction. Thank you, Mr. Sinclair.

Q. Dr. Carrothers, then, said yesterday that before the Canadian Pacific would get a licence in its own name it would have to establish the fact that it was operating a complementary service to its rail service; that is what you understand is the rule, is it?

A. Are you asking me ---

Q. No, I am putting that to you now.

A. My understanding of what Dr. Carrothers said?

Q. No ; is that your understanding of the Commission's rule, that before the Canadian Pacific could get a licence in its own name it would have to establish that its service was complementary to its rail service

A. When you say the Canadian Pacific, do you mean the Canadian Pacific as such, as a railway?

Q. That is what my friend Mr. Sinclair has just brought to my attention, that Dr. Carrothers limited his remarks to the Canadian Pacific applying for a licence in its own name.

A. Yes.

Q. May we take it, then, for the purpose of my next question, that that is the situation in the Commission

A. M'hm.

Q. Now, All right; now, the ---

A. When you say all right, what are you saying all right to, Mr. Frawley?

Q. Do you agree with me that that is the rule in the Commission now?

A. I would answer that by saying this, that as we have not been faced with that particular problem I do not know that I have such a ruling from the Commission. If Dr. Carrothers did perchance say that yesterday, he is probably saying to you what he might rule should such a situation occur, but I do not know that I have been faced with that situation, and, frankly, I do not believe that I have such a ruling on my files.

Q. We do have now the actual existing fact that Dench of Canada, wholly owned by the Canadian Pacific Railway, is engaged in trucking service parallelling the lines of the Canadian Pacific Railway; is that the fact or is it not.

A. I believe that is a fact, yes.

Q. That is a fact

A. As you know; but let me add to that this, Mr. Frawley, that to us -- when I say us I mean the Motor Carrier Branch and the Public Utilities Commission -- the fact that Dench is owned by the Canadian Pacific or any other railway as such does not have a great deal of bearing. They are to us a motor carrier primarily, and dealt with as such.

Q. The fact, then, that the Canadian Pacific came into this province and bought up Dench of Canada was not any great concern, I take it, to the Public Utilities Commission?

A. You may take it, but as a matter of fact it was of a considerable amount of concern.

Q. What was the concern?

A. The concern was that it was a new situation that required thought; that was the concern.

Q. Thought?

A. Thought.

Q. I know, but I am interested in what kind of thought.

A. Well, Mr. Frawley, the kind of thought ---

Q. It does not tell me very much to say that it was a matter of thought.

A. Well, I was answering your question. The kind of thought that you as a very able barrister would give to any situation that would come before you that in your opinion might have certain implications in the future; you do not know what those implications would or could be, but you immediate start to give the matter thought, and I take it that that is what our Commission did.

Q. Mr. Brown, Dench of Canada was bought, lock, stock and barrel, by the Canadian Pacific Railway, and its trucking service paralleled the lines of the Canadian Pacific Railway; now, what thought did you give to that? That is all I want to know.

A. Mr. Frawley, if I may interrupt here, really I believe that I am here to give the best of my information

and knowledge to the Commission here, but I do not quite understand what you are trying to make me say. Now, will you put it into baby English so that my poor brain can understand it? What is it that you want?

Q. Mr. Brown, we will just go away from Dench of Canada entirely. Now, you did say to the Commissioners some little time ago that you were inclined to look at the complete and total cost of giving service -- I think you were answering Dr. Innis -- the complete and total cost of giving service

A. Yes.

Q. And, frankly, I wondered a little bit what that meant -- the complete and total cost?

A. Well, we rather mean this, Mr. Frawley, there, that in talking to people who are conversant with rates you have found unquestionably in your experience that people are inclined to divide the question of the physical cost of running a vehicle to the cost of supplying an additional and an outside service which is supplementary to and complementary to and necessary to the service . as a whole, and what I rather mean there is, when we talk about cost of operation we are looking at the complete service as a whole, without trying to split hairs or break that down. What does it cost the man to give this service that he is offering to the public, to pick up something over there and to land it in his warehouse over there? What does that complete operation cost him? That is rather what I mean by cost of operation.

Q. Well, that is the cost of moving the traffic; I did not know what particular importance you were attaching to ---

A. Well, if you agree, we have no difference of opinion.

Q. I was wondering what you meant by complete cost as distinguished from ---

A. Exactly what I say, the complete over-all total cost of the complete operation.

MR. O'DONNELL: Q. Including profit?

A. We include profit, yes.

MR. FRAWLEY: Q. Now, I was just interested to know what facilities you had for examining into cost, transportation costs, in the Commission?

A. Well, now, if it is the Commission's desire that I repeat that, Mr. Commissioner, I would be very glad to go over that again.

Q. No, I do not want you to repeat.

THE CHAIRMAN: What was the question?

MR. FRAWLEY: Mr. Chairman, I was asking him what facilities the Commission had to examine into transportation costs, and I had made no note that the witness had said it before.

THE CHAIRMAN: When you say transportation costs, do you mean all transportation? Railway?

MR. FRAWLEY: Oh, no; I mean the motor carrier costs.

THE WITNESS: Well, would you like me to go into that again, Mr. Chairman? I thought I had fairly well dealt with that.

THE CHAIRMAN: Well, you had better begin to answer Mr. Frawley, and if you are covering the same ground we will tell you.

THE WITNESS: All right, sir. You see, first

of all, we have two or three sources of information, Mr. Frawley. The first source that we would look to is upon application of a carrier. Let us suppose it is a change in rate, so that we have got a specific case to talk about. When there is an application for a change of rate made by a carrier he must support that application with information that will satisfy us as to why he needs that change. I am supposing that the change is an upward revision, which they all have been in the last number of years, you see, and he has got to supply us with information as to why he needs that. Furthermore, why does he think it is a fair charge to the public, even though he can show us that financially he needs that?

MR. FRAWLEY: Q. Just let me stop you there. You say even though he can show you financially that he needs it?

A. Yes.

Q. Probably that is what I would like you to talk about more. What means have you got for testing whether or not financially he needs an increase?

A. Well, in our regulations, if you look towards the end of our regulations you will see there -- I think Dr. Carrothers referred to it yesterday -- again bearing in mind of course that this is an industry, Mr. Frawley, that is still suffering somewhat from growing pains, and that a large part of our work has heretofore been educational, that we have had to bring this thing along to the point where we have got it now, which perhaps is not quite a point that our worthy friends the railways are, with their accountants and their records system.

Q. Mr. Brown, I really do not want to interrupt you, and I apologise to you for appearing to do so, but really what I want to get down to is, what have you got in your organization? Do you have chartered accountants, do you have cost accountants, do you have engineers and experts to examine into these costs as they are laid before you?

A. I see; that is what you want. We do not have chartered accountants-I do not believe they have them in this country -- but we do have a man who has had a very good grounding in rate making, who is by way of being what we consider an able accountant, has quite an experience with the vehicles, with the problems, and with the type of transportation that he is dealing with. We have to back that up certain people that the Commission had, that they do have experts, that if and when required and at the Commission's pleasure they could be put to work on some knotty problem that perhaps is too much for our brains.

Q. How about the knotty problem of depreciation accounting, whether it should be on a user basis or on a straight line basis? Do you know which method you use

A. Well, we don't use any method at all; it is rather the carrier that uses the method.

Q. Thank you, Mr. Brown.

CROSS-EXAMINED BY MR. EVANS

Q. I have just a few questions, Mr. Brown. What obligation, if any, is put upon a public carrier -- I am thinking now in terms of the carrier that has a specified route -- to carry what traffic is offering?

A. Well, Mr. Evans, the obligation is rather this, that we look to him to, rain, hail or shine, in all that that might mean, accept, within the limits and the capabilities of his vehicle, any freight that is offered by the public, and if he is a public carrier, which is a carrier running on a schedule, he must carry out his schedule, be at the times and at the places that he says he will be; he must be there when he says he will be there; in other words, he must carry out the commonly known functions of a common carrier to give that service to the public and accept whatever is offered to him.

Q. Then he has filed with you a classification, has he, or have you established a classification?

A. Yes, he has, Mr. Evans. That classification, if I may say, is not always the same in every case, of all carriers. Our experience was that in the early days all carriers used the Canadian Freight Classification. Of later years the larger carriers have, in certain areas such as in this lower mainland area of ours between here and Hope, which is fairly well populated, got together and decided that the Canadian Freight Classification was perhaps a little cumbersome, and they have introduced a classification of their own, which is essentially and basically, though, still the Canadian Freight Classification, but just a little more simplified.

Q. It is subject to your approval?

A. Oh, quite; oh, yes.

Q. Then if a carrier chooses to limit the number of commodities which he wants to carry, he may file a limited classification and file a rate scale based on a limited number of commodities?

A. Well, if he were a common carrier I think we would boggle at that, Mr. Evans.

Q. That is what I want to find out.

A. Because we look upon him definitely as a common carrier offering service to the public to carry whatever they have to offer, always providing that it is within the limitations of his vehicle.

Q. Then if he found more traffic offered, would you then consider giving him a licence for an additional vehicle or additional vehicles?

A. That would be and very often is one of his main reasons for asking for an additional licence.

Q. Would you compel him to take out more licences and operate more vehicles to take the traffic that might be offering?

A. As a matter of fact, we have never been faced with the answer to that particular question, because again in fact we find that there are so many people that want licences that the difficulty is to keep them out, not to try to invite somebody in, so we have never been faced with that particular question.

(Page 2530 follows)

Q I would think you would want the existing carrier to provide the service, and that you would, if there was any existing, compel him to provide additional vehicles for the additional traffic?

A I will come to the answer. I think the answer is that if we saw that there were no other applicants to take care of that business we would consider that was a part of the job, that he had undertaken to serve the public satisfactorily, and if that meant getting another piece of equipment we would consider it was his job to do that.

Q I am thinking of the kind of case where the carrier decides, "that is traffic I do not want", and there is more offering of the kind he does want and he takes what he does want and says, "I have not the capacity to take the traffic I do not want." Would you then compel him to get another vehicle to carry it?

A I am inclined to think that the answer would be yes because again I do say that our primary consideration is not giving the carrier what he wants, but it is the over-all picture to the public. If we considered that was necessary for the public I think we would tell that fellow, "you have undertaken this service to the public and the fact you do not want to carry it is only by the way. The public need it and you are a public carrier."

Q What section of the Act would give you power to compel him to do that? Do not take the time to look it up if you do not recall.

A I would have to look that up.

Q Perhaps you would inform me or put it on the record at some stage through counsel or otherwise.

Then I can pass on. I want to consider with you for one moment the position of the common carrier compared with what you called the contract carrier, which I thought was class 3?

A No, Mr. Evans, I will try to explain that to you very quickly and clearly.

Q Perhaps we do not need a long explanation. There are such things as what we call generically common carriers?

A Yes.

Q And there are those things which we call contract carriers for want of a better name?

A Yes.

Q With regard to the contract carrier, he has no defined route?

A No.

Q He only carries for a given consignor or consignors, and may he as a general rule carry more than one consignor's goods in one load?

A No, as a general rule he may not. Very definitely a limited carrier is limited to dealing with one or possibly two people at one given time. I mean one of them at one given time. In other words, he cannot mix loads.

Q But to an unlimited number of consignees?

A Not necessarily. If it should so happen that you had one very big shipper who had several customers it could well happen. To carry from one shipper to several customers of that one shipper only - that could well happen, yes.

Q He files his contract?

A Yes.

Q Do you exercise authority over the rates set out in the contract?

A Yes.

Q What in general is the character of the rate? Is it so much an hour or so much a hundred pounds?

A It is very rarely, if ever, on the hundred pound basis. It is rather on a bulk basis, bulk in so far as a bulk basis applies to trucks. It is either on a tonnage basis or on an hourly basis or weekly or perhaps a monthly basis for the total use of that truck.

Q Let us assume we have a contract carrier operating between point A and point B, which is also a route operated by a common carrier? A. Yes.

Q. Then the contract carrier files his contract showing that between those points he carries mixed groceries, let us say, at X dollars per ton. Is that the way it would be done?

A Hardly, because as a fact our limited carriers - you have perhaps chosen an unfortunate type of merchandise. It is not the case with our limited carriers that they carry mixed groceries. Rather it is one specific --

Q Would they be prohibited from carrying mixed groceries?

A Not necessarily. I might give you an example of the house of Kelly Douglas, which is a very large wholesale house. Suppose they came along and said, "we want this man with his five trucks to handle all our goods completely and exclusively. We will give him a contract at such and such a rate." In that case that would be

mixed groceries, but instead of looking upon that as mixed groceries we would rather look upon it as being the goods of one particular house.

Q I quite appreciate the distinction, but I am trying to get down to a comparison of the conditions under which we find these contract and common carriers operating. If you have a contract carrier operating between point A and point B on a rate per ton what protection do you give the common carrier who is carrying the day to day business between point A and point B in groceries?

A The point is well taken and it is quite common. You have put your finger on one of the things - and I think this will be of interest to the Commission - that we watch very carefully. It is true that a limited carrier can be used to break down common carrier service, and in all limited applications we immediately look at that particular and specific point to see just what it is. Is this likely to do that? By and large it does not tend to do that because by and large the limited carrier comes to us with such a volume to haul that the common carrier is not in the picture at all. He could not haul it.

Q I am just wondering whether you had considered whether it might not be better to encourage the common carrier by letting him do that contract business as well, which is in **fact** truckload business, is it not?

A If a common carrier comes to us, which again is ^{often} quite and frequent, to hold a limited licence he is in the same position as any other applicant, and we grant those licences.

Q But ought he not to be in a preferred position?

A Not necessarily because he is a common carrier serving the public at large. I do not think I would agree that puts him in a preferred position to haul all of these goods for this particular man over here.

Q I did not say he was in a preferred position. I said as a common carrier ought he not to be in a preferred position?

A Ought he not to be?

Q Yes.

A I do not think so. I think he has entered into the transportation business as specifically such and such. He has chosen to be a common carrier. If he evinces any inclination to step out of that class and be another type of carrier that is his prerogative, and we would deal with his application exactly in the same way as a new man.

Q Would you agree that the problem presented by the contract carrier so-called as regards rate is the substantial problem in the regulation of motor carriers?

A If you will take out the word "the" I will agree with everything you have said. It is a very substantial part of the problem of rates, a very substantial problem. I thoroughly agree with you as to that, but as to whether it is "the" and nothing else, I would not quite agree with that.

Q I accept the answer that it is a very important part.

A A very important part.

Q The reason I suggest that to you is that among the groups licensed the contract carrier is by far the greatest

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in the number of licences. On exhibit 31 you show that in class 3 there are 2,292 as compared with 193 in class 1 and 331 in class 2.

A I do not think I have got what you are looking at.

Q I am talking about Exhibit 31 which shows the number of licences issued in the year ending February 28.

A Would you mind saying that again?

Q I was pointing out, in conjunction with my previous question, that in class 3, which are the contract carriers, there are 2,292 as compared --

A May I correct you there so that you will not go astray. Class 3 are not contract carriers. The contract people that I am referring to loosely as contract carriers were the limited freight vehicle licences.

Q And there is nothing on this --

A Yes, 1,441.

Q Are they E, limited freight vehicles?

A That is right.

Q What are the class 3?

THE CHAIRMAN: How many of them did you say?

MR. EVANS: 1,441.

THE CHAIRMAN: 1,441 contract carriers?

THE WITNESS: Yes, limited carriers. Curiously enough a class 3 carrier can have contracts as a part of his operation, although he is not essentially a contract carrier by any means because the condition of his licence is that he is available to the public at large but not on schedule, and not over a specific route. He is a radial carrier, and his operation in fact consists of bulk movement. It is mostly truckload movement.

MR. EVANS: Q. For my purposes the two are similar from the standpoint of the problem?

A Very similar; I will agree that they are similar.

Q There is a total of more than 3,700 vehicles licensed in those two categories as compared with a relatively few hundred in the common carrier class?

A Quite; the answer to that is that you must refer back to the map and to the peculiar geography of this country.

Q I quite agree.

A That is the basic reason for that particular showing of licences in each bracket.

Q That may be true of your province, but I suggest to you that in other provinces we have almost the same situation?

A In reverse probably?

Q Not in reverse. I think I am almost through. Can you give me as a matter of information, and I think it would be helpful, what tonnage is carried by the different classes of vehicles licensed in a year? Can you get those figures?

A I could not even guess at that. We do not have records of the tonnage that carriers carry. You see our only object is to control and licence. We do not have a record of what they carry. It is possible, of course, to always get records by means of the powers that we have of going to carriers and examining their records. We have those powers to examine at any time. It would be a tremendous job. It is possible to secure it, but we have nothing.

Q I do not want you to make a special study of it, but if you had had it I would have liked to have had it.

A No, we have not.

Q Can you provide information as to the capacity tonnage licensed in the various groups?

A I would only be guessing if I answered that but of course we have that information specifically. It would be a matter of pulling it out of the records.

Q Perhaps you would not mind giving it to Mr. Brazier.

A Yes, we can do that, the specific tonnage we have licensed.

Q By classes.

A By classes, because it just so happens that a part of the condition of the licence is that the carrying capacity of the vehicle is also mentioned, so that information is right on the licence slip. That information can be secured.

MR. EVANS: Thank you.

MR. FRAWLEY: The witness is going to get for Mr. Evans the authority in the legislation which would enable them to compel a carrier to take business which he did not otherwise wish to take. Might I ask at the same time that all instances in which such an order or direction was made accompany that information.

MR. CARROTHERS: Section 20 of the Act deals with that. I mention that to facilitate the proceedings. I also suggest that the witness be asked to give the Commission some information with regard to the type of product that is carried by contract carriers.

THE CHAIRMAN: Type of what?

MR. CARROTHERS: The type of product carried by contract carriers. I think you will find on examination that a very large proportion of those are hauling logs in this province, or petroleum products, or something that a common carrier would not carry.

THE WITNESS: That actually is so. We have so many limited carriers in the outside areas of our province. In the various areas we have innumerable limited carriers that are carrying logs and logs only. They are under contract with certain logging mills, maybe one or two as the case may be, and that is the extent of their operations. In addition to that we do have quite a number of carriers who carry petroleum products in tank trucks, particularly up in the Peace River district. We have contract carriers that carry gasoline up from Dawson Creek onwards, and that volume is quite high. I could not tell you exactly what the volume is but he has quite a number of trucks and he is a very busy man.

THE CHAIRMAN: Do I understand from what Dr. Carrothers has said that in these cases these trucking companies are not competing with the railways?

THE WITNESS: I would say no.

THE CHAIRMAN: They are not?

THE WITNESS: I would say no.

THE CHAIRMAN: They are doing some specific work that the railways do not do?

THE WITNESS: They are not competing mainly because the railway does not happen to be there.

THE CHAIRMAN: That is a reason, of course, but

even if the railway was there their work is to some extent work which the railways would not --

THE WITNESS: The railway would not be capable of going into the woods and bringing the logs out. It is a different type of service that is being offered.

MR. EVANS: Q. I think in view of Dr. Carrothers' interjection I might ask one or two more questions. I am sorry to take so long. There are two things. I gather in view of what Dr. Carrothers said that the common carrier is not obliged to provide specific kinds of equipment to carry various kinds of freight, gasoline, and so on?

A No. The carriage of gasoline, of course, as you know, so far as trucks are concerned is either in tank trucks or in drums. Some of the common carriers do carry a reasonably small amount of drums.

Q You do not compel the carrier to provide equipment to move the traffic that is offering?

A The traffic that offers happens to be such traffic that fits in nicely into the equipment the man has, and by and large you will find that the carriers try to get equipment that suits the traffic that they know will be offered to haul.

Q You do not compel the common carrier to provide it?

A There is no compulsion. I think the compulsion is if the carrier does not provide the type of equipment to haul the stuff offered him by the public, the public will cease to do business with him. I think there is an economic factor there.

Q The public would cease to give him certain kinds

of traffic?

A You may be right in that.

Q The second point is this. There has been a reference to section 20 of the Act. The section reads this way!

"Whenever after a hearing the Commission finds that an extension by any motor carrier of his existing service would be in the public interest",

And then it goes on to say that the Commission can compel him to extend service.

A Yes.

Q Do I understand that the word "extension" is interpreted as meaning not an extension geographically but an extension in terms which mean an added number of vehicles on an existing route?

A Mr. Chairman, Mr. Evans has, very nicely and in a very kindly way, asked me to interpret legislation. With your permission I would prefer not to answer that.

THE CHAIRMAN: Q. Have you had occasion to interpret it?

A No, and any such order would come direct from the Commission, and with your permission I would ask that I be not allowed to answer that.

MR. EVANS: Thank you.

COMMISSIONER INNIS: Q. In reference to Mr. Evans' question, I think you suggested that the trucks which supplement railways followed the railway tariffs?

A When you say "supplement railways", do you mean providing pick-up and delivery service and feeding the railways?

Q I am thinking of those corporations which have

been taken over, for example, by the Canadian Pacific Railway. Do they automatically pick up the railway freight tariff and use it on the trucks?

A No, that is not the case. If we may take a case which I think is a very good example, that of the O.K. Valley Freight Lines which runs from the north to the south of the Okanagan Valley, they were privately owned and recently were acquired by the C.P.R. There is no difference at all that has occurred in their operation. As I said once before, to us they are still a motor carrier, and they still have the same tariff filed on exactly the same operation.

Q But have you compared, for example, the freight schedule used by the railway with that proposed by the truck company?

A Well, it would be hard to make that comparison because the railway does not give service to anything like the entire route or area that that particular motor carrier does.

Q But for comparable distances and for comparable commodities does the truck company pretty much extend the railway tariff?

A In that particular instance I am unable to answer you. I do not know because I have not made a comparison, but I can say this as a general statement which is generally true. It is an extraordinary fact that we have found that motor carrier rates based upon what we in our foolishness or wisdom consider are reasonable costs of operation, when they are finally filed and approved there is not a great deal of difference between what the motor

carrier rate is and what the railway rate is. It may be a little higher or lower but it is still within the same region.

Q You mentioned in one case, that of trucks going to Hope, that the railway rate system had a good deal of influence on the system used by the trucks except that they had simplified it?

A The classification.

Q Can you state very briefly - I do not want to go into details - just what sort of simplification that was?

A I think perhaps Mr. Jackson might answer you a little more than I. He deals specifically with that, but as a very general answer some of the many classifications of knocked-down articles that are in the Canadian freight classification were done away with and consolidated under one heading. Basically the thing is still the same, but I think for a more specific answer Mr. Jackson should answer your question.

MR. JACKSON: The classification --

MR. COVERT: Before we do that perhaps we had better put Mr. Jackson's name on the record.

THE CHAIRMAN: Perhaps we had better have Mr. Jackson take the stand. Has everybody finished with Mr. Brown?

MR. COVERT: Just a minute.

THE CHAIRMAN: Q. Mr. Brown, in answer to Mr. Frawley's question you told us about the trucking route from Vancouver to Hope, then up to Lytton and on to Prince George. All along there there is competition between trucking companies and the railway?

A Up as far as Quesnel, in a measure, yes.

Q What do you mean by "in a measure"?

A Well, to a measure that the railway, as you know just leaves the road, and the road goes in a slightly different direction.

Q Yes, they do not parallel each other all the way.

A But if you take the main centres the answer would be yes.

Q There is competition?

A Yes.

Q And does the same not apply to the Okanagan Valley route?

A Yes, largely it does, yes.

EXAMINATION by MR. COVERT

Q Just before you leave, as I understand the situation you say that the first thing that the Commission looks at is the benefit to the public, and that public necessity and convenience is the main thing that determines whether or not the licence is granted?

A Yes, that would be correct.

Q So that you always have in mind restricting competition to such an extent, or limiting it, so that it cannot be ruinous? You always have that in mind?

A I would say yes. The answer is yes.

Q Therefore there could probably never be such a situation in British Columbia as there is in the east where truck competition is not regulated, or trucking is not regulated?

A If that is the condition in the east, as you say, I do not believe that would occur here.

Q May I put it this way? In most cases there would probably be one trucking line or one company operating so many trucks in a particular district, and they would not have a large number of competitors. Is that correct in British Columbia?

A No, they would have competitors, presumably because there is no reason why we should particularly favour monopolies, and that has not been the case up to the moment.

Q I am not suggesting that you favour monopoly, but in effect if one man comes along, or one company comes along, and says, "we will provide a service and we need to have six trucks licensed", and you are satisfied that will provide the service, then if someone else comes in he cannot get a licence unless he shows that the present licensee, or company that has the truck licences, is not providing service.

A. That is the general position, yes.

Q. So you do not have rate cutting. They cannot cut rates. Isn't that correct?

A. If what you say were factually true all over the province, that would be so. But, as a matter of fact, it so happens that there are a number of lines running to the same place, competing with each other. And we prefer to have that condition rather than the condition you suppose.

Q. Are there many such cases?

A. Yes, but by and large, there is competition for freight as between motor carriers. By and large, there are no monopolies.

Q. Consider the case of Prince George and Prince Rupert; are there many lines in competition one with the other, there?

A. No. In that particular area, there are not. But there are many lines which go a part of the way, and they could, sometimes, hand over traffic to some connecting carrier, who would go another part, or right through. But there are not many such lines.

Q. What about in the Okanagan Valley?

A. As to the Okanagan Valley, I cannot say offhand just how many; but three or four public carriers up and down that valley would give each other competition. The competition has to be based on the service they offer to the public, because it happens to be a prescribed tariff and they must all charge the same rate.

Q. Is it not true that in filing your rates for approval, that those truckers all file the same rate, at the same time?

A. No. That is not always true.

Q. But, generally?

A. No, I do not think I could agree that it is generally true. But it is becoming more generally true, let me put it that way, that the tendency among motor carriers is, within their own area, to realize that they are offering the same type of service; and that the proper and best way to obtain business is to base that service not particularly on a rate cutting business, but having regard to the best service they can offer. We find that those carriers are getting together and filing uniform tariffs. That is the phase we are going through now, but I would not say that it is yet general.

Q. After the railways got their 21 per cent increase, did all the truck carriers in British Columbia ask for an increase?

A. Surprisingly enough, they did not, all; but some did.

Q. Did they, for example, in the Okanagan Valley?

A. I do not think so, no. To the best of my knowledge they did not. I do not think the tariff there was touched.

Q. They were considerably lower than the railroads?

MR. O'DONNELL: It was so high that they didn't need it.

MR. COVERT: Q. After the railways got the 21 per cent increase?

A. I do not know, because I do not know what the railway rate was before the 21 per cent increase. But I can say that the carriers stayed as they were.

Q. Did the railways have to come down to meet them?

A. Perhaps they have, but I have not heard about it.

Q. Did you not say that there were no monopolies; and that there was always competition. I wonder if it would be fair to say that there is always the possibility of someone wanting that licence?

A. There is, very much so.

Q. As a matter of fact, there would not always be competition?

A. How do you mean?

Q. Actual competition?

A. I do not quite follow you.

Q. There is potential competition, because if he does not supply the service someone else may come along and want his licence?

A. Yes.

Q. There would not always be competition.

A. That word "monopoly" is, perhaps, very badly chosen. I do not like the word.

Q. Nobody does.

A. Perhaps we did not quite mean what the word sounds like. Rather, I should say, just one main carrier running over a particular route; but it doesn't mean that he will be kept there forever at all. He has got to provide satisfactory service. If he does not, somebody else may come along and supply that service, whereupon he immediately is in danger.

Q. If, in effect, you are satisfied that one truck or one operator is providing a sufficient number of trucks and can provide the service, that is all who will be operating that service?

A. That is definitely a major portion of our point of

view, yes.

Q. Now, would it be fair to say that if you tended to consider the railroads in an application that was made perhaps parallelling the railway, and you granted the application without considering the railway, that might force the rates down frm the railways point of view?

A. If we did not?

Yes.

A. Conceivably if we did not, that could happen. But it is quite clear to you that we do consider the railways.

Q. Yes. And in considering the railways you do not just look at it from the point of view of protecting the railways, but you look to see if there are too many here, and if eventually none will supply a good service?

A. That, I think, is the main point of view. Rather do we think that ultimately the public is going to suffer.

THE CHAIRMAN: Q. Suffer what?

A. Suffer from either poor service -

Q. How would the public suffer? If the trucking companies abandoned the field, the railways are there now and they will remain there; so how would the public suffer?

A. If the railways were available completely to give that service you would be quite right. I was only supposing in my answer, that the trucking people proposed to give a service that the railways cannot or do not give. But if the railways do give it and serve the public, that would be correct.

Q. You have in mind cases where the truckers are not competing with the railways because they are giving a service that the railways cannot give?

A. Quite!

Q. And in that case, if you flooded the number of licences, they are able to defeat each other?

A. Quite!

MR. COVERT: Q. In effect, you do perhaps provide some measure of protection to the railway rates?

A. I think that it works that way, yes. Perhaps not purposely, but it just happens to work that way.

Q. Yes. In other words, by preventing what you believe or consider to be ruinous competition?

A. I think that would be correct, yes.

COMMISSIONER INNIS: Q. You must have a great number of applications, as you suggest, for some of these routes; and presumably, you make your final award, or final arrangement. Does not that lead to charges of favoritism? It must be a difficult job?

A. I think you are right. I think that any person or persons who are in positions such as we are in, are always open to that charge. But I think it is up to us to satisfy the government, the public and industry at large that we have no favorites. I think that is the only thing you can do. I suppose one is always open to a charge of favoritism.

Q. Do you think it would be unfavorable if you should tend to accept applications from large permanent companies because of their better management and lower costs, let us say?

A. I think that would be decided upon the facts which they could offer. Taking two or three applications, if we had the case, and I think this is what you are supposing:

If we had two or three applications, one of which was outstanding in the ability of the company and the financial setup of the company, I think it would appear to us that he would be the right person to get the licence.

Q. Has there been any tendency towards amalgamation of trucking companies to form a larger trucking company?

A. Not in a large way. Here and there, there may have been, but only in a minor way. People may want to transfer their business and ask for a transfer of their licence from one person to another, because they want to go out of business altogether. That is perhaps, more general.

MR. COVERT: That is all. Thank you, Mr. Brown.

Mr. Chairman, Dr. Carrothers wishes to make a statement with respect to the peculiar circumstances of the Prince George-Prince Rupert route.

MR. W.A.CARROTHERS, recalled

THE WITNESS: Mr. Chairman, I think it would be of interest to your Commission to know that the fact there are no through carriers there is not so much a matter of policy as a result of historical circumstances.

That route was built as a military route and was used as such. After it was built, there were certain carriers who applied to the Commission for a class 3 licence, about which Mr. Brown has spoken, as a radial licence.

I consulted with the military commandant at that time in Prince Rupert, as to whether there was any objection. He said that if it was in the public interest there would be no objection, and the licences were granted. They operated

and continued to operate over that route.

At a later time, that route was turned over by the military to the government of British Columbia. But there are 23 miles of that route which are on the Canadian National Railways right-of-way, where the rocks come so close to the Skeena river that there is not room to have a road apart from that.

We have before ^{us} at the present time, a number of applications for scheduled traffic on that route, including the Canadian National Railways. There has been no agreement between the government of British Columbia and the ~~canadian~~ National Railways as to the terms of use of those 23 miles that would be turned over; so that, all those licences, in the meantime, are being held in abeyance. I thought that would be of interest to you.

THE CHAIRMAN: Thank you.

MR. BRAZIER: Mr. Chairman, I think that Mr. Commissioner Innis wishes to ask Mr. Jackson a question. I think Mr. Brown covered the situation very fully; but Mr. Jackson is now here.

THE CHAIRMAN: Before that goes on, so far as I was personally concerned, a matter which is of interest to me is a statement contained in your brief. I have before me your outline brief, and beginning at the bottom of page 5 and the whole of page 6, coming to the end of the first paragraph on page 7; and there, as one of the disadvantages, one of the geographical disadvantages of British Columbia, you point out the lack of competition. I won't read it all, but you say:

"The convergence of two railways at some point or the presence of road, canal or other form of water transportation introduces an element of competition at those points of convergence or in the regions where these alternative methods of transportation exist. Since the railways have a monopoly in transportation with the exceptions already noted, they are able to break up their market into sections and to charge different rates in these different sections for essentially the same service. As a consequence of this practice those areas which enjoy conditions of competition usually obtain much lower freight rates than do those areas which are not so favorably placed....."

What I was anxious to know was to what extent the province of British Columbia, itself, is endeavoring to supply competition and do away with those natural disadvantages. That was the pith of the question I asked. Do you intend to go any further on this part of your brief?

MR. BRAZIER: No, I think not, Mr. Chairman.

THE CHAIRMAN: In the unfortunate position you are in, you do not?

MR. BRAZIER: No, sir.

THE CHAIRMAN: On the other hand, of course, you point out in the brief how the extra services, especially the water services, are not competition but merely supplementary, and so on.

MR. BRAZIER: Right.

THE CHAIRMAN: . . . We are anxious to obtain in the case of each province, the economic disadvantages of that

HH province, or its geographical disadvantages, and then to learn, so far as possible, what each province was doing to overcome those disadvantages; but you do not intend to proceed further?

MR. BRAZIER: No, I might say now that in the final analysis, the position ^{which} British Columbia will take on the question of geographic disadvantages is, in our opinion, that we must accept them as they are, and that all parts of Canada must accept their geographic position. And we have attempted in our brief merely to set forth what our geographic advantages are; and we will say to the Commission that: If geographic disadvantages in other parts of Canada are to be taken into consideration, then there are geographic disadvantages on our part to which consideration should be given. But we are not asking the Commission to give any weight to them.

THE CHAIRMAN: You do not suggest that particular consideration might be given to them?

MR. BRAZIER: No, just the same as the rest of Canada.

THE CHAIRMAN: Very well.

MR. BRAZIER: I now call Mr. S. K. Jackson.

MR. S. K. JACKSON, called

MR. BRAZIER: Q. Mr. Jackson, Mr. Commissioner Innis asked a question. I wonder if you will just answer it, or maybe Commissioner Innis would put his question again?

COMMISSIONER INNIS: Q. Mr. Jackson, I gather that there has been a good deal of influence on the railway rates and on the rates charged by the various types of truckers. Could you give any indication as to what the different schedules used by the trucks, to what extent they are influenced

by the railways, and so on?

A. Yes, I think I can, sir. Particularly, a truck is limited as to its cubic capacity, perhaps comparable to a ship more than to a railway train in that respect. Particularly, van type trucks are given good protection from the weather on long distance travel. The result is that the carriers have developed a protecting clause which I think originally came from the United States truck tariffs; and that is: That a number of cubic feet per 100 lbs. will be allowed; for example, in the lower main line truck tariffs that we were specifically referring to before, the restriction is 10 pounds per cubic foot. That means that if a shipper is going to supply a carrier with a large shipment of, let us say, shredded wheat, or a like bulky article, the rate will be affected by measurement restrictions.

Q. What sort of traffic do you think the trucks are particularly - are favoring in competition with the railways; what type of traffic which is handled by the railways and which is not susceptible to competition?

A. I am not too familiar with all the different types of traffic which the railway has in each part of the country. But there are some cases of distances up to, particularly 100 miles, which we are referring to in the Fraser Valley, particularly, where lumber, for example, would be transported on trucks from origin to destination and more readily and at less cost than, I think, the railways could handle it. Lumber is one of those commodities.

Q. What would be the distance in the case of lumber in which the trucks have the advantage as compared to

the railways? When would the railways take over?

A. The truck is limited by its carrying capacity; and its carrying capacity is determined partly by its own and partly by regulations of the governing department of the government. So the answer to your question is, I think, dependent on the type of vehicle which can be supplied and by the people who are offering to do the service. And it might well be that, in the lower mainland area, it might be possible that a 15 ton carrying capacity vehicle is worth while to obtain on the part of a carrier, owing to the volume of business which can be done. And a truck of such size can handle, roughly, 8,000 feet of finished lumber. The operating cost of that vehicle is not so substantially higher than the operating costs of a smaller vehicle, and because of the increased carrying capacity he can operate at slightly longer distances. I think, in practice, 100 miles is the limitation at the present time even with the large vehicles.

Q. So that, beyond 100 miles, the railway intervenes, or would come into play?

A. Definitely. As soon as the cost of operation affects the carrying capacity limit of the vehicle, then the railway comes into play.

Q. What about the higher priced commodities? Would you expect the distance to be increased in that case?

A. Yes, it is very definitely. I cannot think of a particular one.

Q. What about the extremes that you might meet with.

A. I cannot think of a particular higher priced commodity except, possibly, household goods.

the first part of the year 1911.

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On the 1st of January 1912 the first part of the year 1911.

The second part of the year 1911.

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The twenty-third part of the year 1911.

The twenty-fourth part of the year 1911.

The twenty-fifth part of the year 1911.

The twenty-sixth part of the year 1911.

The twenty-seventh part of the year 1911.

The twenty-eighth part of the year 1911.

The twenty-ninth part of the year 1911.

Q. Yes, settlers effects, and so on?

A. Yes, particularly household goods, the movement of which, I think, is now being carried by some carriers up to 1,000 miles effectively.

Q. On a trip from, let us say, Vancouver to Calgary; are there any truck lines operating that far?

A. I believe there is one.

Q. And what sort of commodities?

A. I believe they are licensed for a portion. They only go 30 miles through British Columbia. But I believe they can carry all commodities. They have very large vans of 15 tons.

Q. Mostly manufactured products?

A. I am not aware of that. They have not been operating for very long.

THE CHAIRMAN: We shall now adjourn until 2.30 p.m.

-- At one o'clock the Commission adjourned to meet again today at 2.30.

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Victoria, B.C.,

June 23, 1949.

AFTERNOON SESSION

--- The Commission resumed at 2.50 p.m.

S. K. JACKSON, recalled

CROSS-EXAMINED BY MR. FRAWLEY

Q. Mr. Jackson, do I understand that you are a rate examiner for the Motor Carrier Branch of the Public Utilities Board?

A. Yes.

Q. A rate examiner; so you would have to do particularly with the rates?

A. Particularly, among other things.

Q. Now, will you tell me something about the leading truck outfits that there are. There is one called Island Lines -- what is the name of that company?

A. I presume you mean Island Freight Service Limited.

Q. Island Freight Services Limited?

A. Right.

Q. That is one; then there is B.C. Motor Transportation Company

A. Company Limited.

Q. Company Limited; and then the Okanagan?

A. It is O.K. Freight Lines Limited.

Q. O.K. Freight Lines Limited; and then Dench of Canada is another one?

A. Yes, it is another one.

Q. Are those four the representatively large operators: -- the Island Freight Lines, the B. C. Motor

Transportation Company, the O.k. Freight Lines, and Dench of Canada.

A. Yes. I hesitate as to including Dench of Canada Limited, because I am not really aware of the extent of their operations within British Columbia.

Q. Within British Columbia, that is true.

A. But I would certainly say that the others are very definitely representative of the larger ones.

Q. Would they be the three larger companies?

A. Yes, definitely.

Q. Yes, the three larger companies. And am I right in my understanding that they are all now owned by the Canadian Pacific?

A. I am not sure; I do not know. I believe that has been stated.

Q. Yes, I understand that the Island Freight Lines Limited is owned by the Canadian Pacific?

A. Yes, I think that was stated.

Q. And the B.C. Motor Transportation Company?

A. No, I do not think so.

MR. SINCLAIR: That is owned by the B. C. Electric Company.

MR. FRAWLEY: Yes. Owned by the B. C. Electric Company?

A. Yes.

Q. And the Okanagan Freight Lines, I understand we were told it was owned by the Canadian Pacific?

A. I believe so.

Q. And Dench of Canada is owned by the Canadian Pacific?

A. I believe so.

Q. So it looks as though we have three out of the four biggest operators in British Columbia owned by the Canadian Pacific; I mean, is that just roughly the situation?

A. That could follow.

Q. Now, a line from Victoria to Nanaimo is a fairly heavy traffic area, is it not?

A. Yes, I think it is.

Q. And the E. & N. Railway runs between Victoria and Nanaimo?

A. I believe so.

Q. And the highway roughly parallels the rail?

A. I am not sure that they serve exactly the same populated points at all ---

Q. Well, they serve the two termini?

A. They certainly serve the same termini.

Q. And a number of places in between?

A. Yes.

Q. So one could say substantially that the same area is served, couldn't one

A. Yes.

Q. And the rates, what would be roughly a relationship ratewise of those two operations

A. I do not profess to know the rates of the E. & N. Railway between Victoria and the various points on the route, but I do not think that there is any particular relationship, because there is for one thing a different construction in the basic class rates used by the trucker. Normally in the railway classification a specific relationship of the classes is a certain percentage of the basic fourth class rate, but in the

case of Island Freight Service a specific percentage that is used by the railway does not exist.

Q. There are commodity rates too, are there? Do the truckers have commodity rates.

A. There are some commodity rates, but there again I am not sure that there is any specific relationship between the commodity rates of the truck line and those of the railway.

Q. Does the truck line transport refrigerated goods?

A. I do not think they provide such a service.

Q. Would you know what the rate on a hundred pounds of butter from Victoria to Nanaimo is?

A. Not offhand, no.

Q. And would you know whether or not that was more or less than the rate on a hundred pounds of butter from Victoria and Nanaimo on the E. & N.?

A. No, I wouldn't know.

Q. When you are approving rates for the truckers what regard do you have to the rates on the railway?

A. Well, for one thing, in the course of my examination of the proposed rate of the trucker, I naturally am concerned with what rate applies via other services, and at least when the matter arises I take time to discover what the railway rate is for purposes of general knowledge of why the particular rate is being proposed.

Q. That is, particularly if it were lower or higher, I suppose you would have regard to the railway rate in either instance?

A. Only because that happens to be a yardstick between those two points, and maybe the only yardstick

that exists.

Q. Now, if you had such a case as a trucking company deliberately endeavouring to take the business from the railways and deliberately offering a lower rate for the express purpose of taking some of that business, what would be your reaction to that situation?

A. I am not too sure that I have ever come up against a case where I was aware that it was being done in that way. What I am more concerned with is whether the rate which the motor carrier proposes is sufficient to pay his or other comparable carriers' who have similar types of equipment cost of operating between the two points in question.

Q. In other words you would make, then, a careful examination of his costs to determine whether or not he could carry say the hundred pounds of butter at 60 per cent of what the rail rate was; suppose you have such a case as that?

A. In some cases that has happened, where it has been necessary to investigate the time taken in loading and unloading a shipment, whatever it happened to be, and the mileage involved in the hauling of the commodity.

Q. And you go into all of those things; you regard that as the concern of the Commission, to go into all of those things to find out whether or not this trucker, who is offering to take it at say 60 per cent of the rail rate, can afford to do it?

A. Not always.

Q. You say not always; then would you approve of the tariff at say 60 per cent of the rail rate?

A. Yes, you could.

Q. Are there any instances? Are there any instances where rates by truck operators are as low as 60 per cent of the comparable best rate on the rails?

A. I do not know offhand. It could arise very definitely, particularly on short distances.

Q. Well, say from Victoria to Nanaimo?

A. I am not, as I say, familiar with the rail rates between Victoria and Nanaimo.

Q. But you do regard it as the duty of the Commission to examine into the costs of the trucker who is offering to carry traffic for less than the rails?

A. Within limits.

Q. Now, what facilities, Mr. Jackson, do you have for coming very close to an understanding of his costs -- I use the word "understanding"; to a proof of his costs, his true actual costs?

A. Are you speaking of a carrier who is coming into a new field, a new carrier, or are you speaking of a carrier who is already operating over the route and has experience of that route?

. I am thinking of a carrier who is deliberately coming in, deliberately coming in to take some of that business away from the railways if he can do it by a rate concession.

A. Yes; I would like to just get this clear, though: do you mean a new carrier who has had no experience over that route.

Q. Well, probably a carrier who has had experience otherwise but not perhaps over that route that might be used; let us examine it on that basis.

A. That it is a new carrier.

Q That it is a carrier who has had no experience over that route?

A I know of no particular case where the problem has arisen, but I think my approach would be to determine the experience of the carrier who has been operating over similar distances and under substantially similar circumstances, and determine what his rate experience has been. It is quite possible his rate experience will then be taken as the best obtainable, and a reasonable guide as to what the rate should be for the new carrier who is coming in.

Q If you and he had a difference of opinion as to whether he was able to do it profitably it would be your award that would be the last word?

A Yes, if he could not deny the evidence that I had obtained.

Q If in the last analysis he said, "I think I can do it, Mr. Jackson, and I would like you to approve my rate and let me see if I can do it", that kind of reasoning would not appeal to you at all?

A I think that case actually arose, and what we did was that temporary permission was given subject to his submitting evidence of his operations during a specified period. In one case I think it was six months. Each month he had to submit his total revenues and expenses, and with that evidence for a period of six months, as it happens in the case I am thinking of his original proposition was proven and he continued at those rates.

Q Now, Mr. Jackson, I have one more question. Mr. Evans was discussing with Mr. Brown this morning the

case of a carrier who chose to take just selected business, just the business that was desirable, and left the undesirable business to the other carriers. Mr. Brown told Mr. Evans that the Commission had a right to require the carrier to take the undesirable business. Do you know of any instances where that has been done?

A No, I cannot say that the problem arises. It is an academic problem because no rate has been proposed by a motor carrier which will give him substantially less than his cost of operation, using as a basis perhaps a full truckload of that particular commodity. I am speaking of a rate which is an l.c.l. rate.

Q Mr. Jackson, I don't know that we quite understand each other. I understood that the proposition was that there were instances when the trucks would just take what is called colloquially the cream of the business and would leave the undesirable business to the railways?

That is not a matter of the carrier deciding that at all. That is a matter of the shipper not using the more expensive service. I think I can best illustrate that by saying that a shipper will not use the express service of the railway if he finds a cheaper rate by freight service. Similarly he will not use freight service if there is a cheaper rate on the express. That often happens, not so much now, but in the past it did happen that there were depressed express rates which it paid the shipper to use.

Q In any event, you know of no instance where the Commission has had to use its authority, which Dr. Carrothers told us was contained in section 20 of the Act, to require a carrier, who did not desire to take all the

traffic, to take all the traffic that offered.

A I cannot think of a single case where a complaint arose from a shipper offering freight to a carrier who had turned it down.

MR. FRAWLEY: Thank you.

CROSS-EXAMINATION by MR. EVANS

Q Mr. Jackson, does your Commission keep data from which one could determine the costs of carrying freight by truck per ton mile?

A No. That has come up before in a different way, I think, during the course of the evidence that has been given, but the great difficulty there, of course, is that a very great proportion of the amount of freight which is transported in this country is definitely not transported at tonnage or per hundred pound rates, and there are not weighing facilities for the goods. A tremendous amount of the freight that is carried is carried on hourly rates, mileage rates, and a combination of both, so that there are no tonnage figures available for the industry as a whole. There would be tonnage information available from specific carriers.

Q Common carriers probably more likely?

A More likely.

Q And I suppose you could arrive at ton miles fairly readily, and the cost per ton mile?

A Well, actually that might be possible, but that would only be information about that particular carrier. I think perhaps where freight is carried on ton mile rates as such.

Q I was not thinking of that. I was thinking of simply dividing your total ton miles into your total revenue and finding out what your revenue was, and doing the same with costs and finding out what the cost was.

A That could be determined perhaps for a very limited number of carriers.

Q Would you agree with this, that from your experience the probability is that the ton mile costs of a common carrier by truck would not be less than, and probably considerably more than, 5 cents a ton mile? Would you hazard a guess about that?

A That is very difficult to say. I would not like to hazard a guess because the distance that the carrier operates has a very definite bearing on the result.

Q And his load factor and all kinds of factors?

A Yes, the size of the vehicle, too.

Q You might find a statistical average?

A I could not say.

Q There is only one other question I want to ask. In view of what Mr. Frawley asked you about the C.P.R. holdings in the trucking industry in the province, have you available figures of the licences issued to the O.K. Valley, Island Freight Lines and Dench of Canada by the Commission?

A Yes, they are filed.

Q You haven't them with you?

A No, I haven't.

Q Would you give them to Mr. Brazier? I have not got the means to get those. Otherwise I would put them in myself.

MR. BRAZIER: I will undertake to get those.

THE CHAIRMAN: Those figures mentioned by Mr. Evans all refer to Canadian Pacific enterprises?

MR. EVANS: Yes, sir.

THE CHAIRMAN: That is all there are, just those three?

MR. EVANS: Yes. We would have vehicles doing cartage service in the cities, both by the express company and the freight department.

THE CHAIRMAN: Has the Canadian National any service of that sort?

MR. O'DONNELL: No, we have none.

THE CHAIRMAN: Are there any further questions?

MR. O'DONNELL: No, thank you.

EXAMINATION BY MR. COVERT

Q Mr. Jackson, did you bring with you one of the forms of returns that show the accounting system?

A You are referring to the motor carrier report form, which is a submission to the Commission and to the Bureau of Statistics?

Q Yes. Have you one available?

MR. BRAZIER: I just have one.

MR. O'DONNELL: That is the form referred to in part 12 of the regulations.

THE WITNESS: Actually just above that form, if you will refer to the regulation, you will see that provision is made for an alteration of the form in conjunction with the Bureau of Statistics, and this is the form which finally was drafted, and it is not exactly the same as the form which is

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Mr. Jackson, cr-ex.
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shown in the regulations.

MR. COVERT: Q. The motor carrier report which motor carriers file with the Board contains a list of operating expenses. Is that correct?

A Yes.

Q And in that list there are included the following items, owner and office salaries; driver and helper wages; delivery wages; truck and bus maintenance and repair; tires and tire repair; gasoline; oil for motor vehicles; driver travel expense, board, et cetera; tolls, bridge, ferry, road, et cetera; rentals; insurance; property taxes and licences; office supplies and expenses; injuries and damages; depreciation; other expenses (including other than motor carrier). Those are summed up as total expenses. Those are the expenses which you take into consideration in determining the cost of service?

Page 2577 follows

A. That is true. When that report is used as the best basis available for examination and criticism of the submission.

Q. Yes. Then, this Motor Carrier Report to which I have referred, that is the type of report that is filed by the smaller operators, is that correct?

A. Not entirely. It is a report which is filed by all the operators. There are additional schedules which you will see. I do not believe there are instructions with that particular copy; but there are instructions which go with it. And if additional information or a slight re-arrangement of information is required by the larger carriers who have more complicated bookkeeping systems, then additional schedules are attached.

Q. In the larger types, which have their own systems of keeping accounts, does the Board, generally, accept the audited statements of those companies showing their operating expenses?

A. That is correct; statements which are computed by chartered accountants.

Q. So that, generally speaking, it would be fair to say that you do take into account other kinds of operating costs or expenditures that the carriers have, in determining what the cost of service is?

A. That is correct.

Q. Now, for example, in the case of depreciation, if one carrier used a different amount, a different percentage, you would accept the percentage he used in his accounts?

A. That is right.

Q. Provided it was not too large?

Q. I have been thinking of writing you for some time, but have been so busy that I could not find time to do so. I hope you are well and happy.

A. Yes, I am well and happy. I hope you are the same. I have been very busy lately, but I have managed to find some time to write to you.

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A. Yes, I am well and happy. I hope you are the same. I have been very busy lately, but I have managed to find some time to write to you.

A. Exactly.

Q. Now, could you tell me how far you extend this cost of service principle? Does it apply to each individual item that is carried? For example, do you just apply that, when someone is making an application for an increase, and say: Here are your total costs. These were your rates. You are now asking for an increase, and it looks as though you needed it. And you then allow him to file a new rate on that return, showing the total costs?

A. In my experience so far, the only method I have had, and the only information and the best information I have had, has been to take the experience of operation for the longest period in was possible to obtain, at least, a period during which there has been a stability of rates; and then to try to forecast what effect the proposed new rates will have on the revenue of the carrier; and at the same time make allowances for justified increases in cost.

Q. Supposing you came to the conclusion that an operator does need an increase in rates; and we will say generally, that all operators did, in a certain territory.

A. That has naturally happened in one case.

Q. Do you consider each item of goods which they carry, in fixing the rates? I should not say that, but in approving any new rate schedule that they file with you, do you leave it pretty well in their hands?

A. Not entirely. Where that does occur is usually in connection with a number of carriers who operate over a common route; and in almost all cases now, such carriers are represented by the Tariff Bureau. It happens that the Bureau is operated by the Automotive Transport Association.

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But the individual carriers do not all happen to belong to the Association; and in most cases - in all cases that I can think of - there has been a tendency to increase the existing rates by a calculated percentage that will cover the obvious increased costs which are known and which have occurred. There has been no attempt to deal with an increase where the costs are only possible.

Q. Has it been your experience in some cases that some rate on a particular commodity has not changed, but it has on others?

A. Yes.

Q. Or do they, generally, all increase?

A. No, it does not always happen that they all increase. And the method which has been used is to take all the bills of lading of the carriers concerned and to re-write them at the proposed new rates just to see what effect it will have on the over-all position of the carrier.

Q. Have you ever applied a percentage increase?

A. You mean a flat percentage increase?

A. Yes, right across.

A. I think I can safely say that that has only taken place where the carrier has a very very limited number of goods that he handles, where he is a specialized carrier, or a group of specialized carriers.

Q. Just one other question. You mentioned the Association. What was the name of it?

A. It was the Automotive Transport Association of British Columbia.

Q. Do most of the carriers belong to it?

A. I do not know. I know that a great many of the larger

carriers do.

Q. Would the trucking companies owned by the Canadian Pacific, which have been mentioned here, would they belong to it?

A. I do not know, I think they do.

MR. SINCLAIR: The answer is yes.

MR. EVANS: Might I ask one more question, Mr. Chairman?

THE CHAIRMAN: Yes.

MR. EVANS: Q. Could you tell me, from memory, for example, how salt is classified in the trucking classification used by the common carriers?

A. I do not think they changed it.

Q. Do you mean, it is the railway classification?

A. I think it was. I would hate to go back into the history to get it; but ten years ago the carriers lacked any information or any experience to determine what rates they should charge for a particular route, and they did accept the Canadian freight classification in many cases, and on many items; and when they changed over, I think I can safely say that, in most cases where truck classifications have developed for short lines, that flour, salt, and sugar have remained substantially in the same classifications.

Q. Would a commodity like shoes take a higher classification than the truck classification today?

A. On that particular line?

Q. Yes?

A. A higher classification than the railroad classification.

Q. No, no, higher than salt, flour or sugar?

1. Introduction

The purpose of this study is to investigate the effects of various factors on the growth of the population. The study is divided into two main parts: a theoretical analysis and an empirical investigation.

2. Theoretical Analysis

2.1. Growth Models

2.2. Factors Affecting Growth

2.3. Conclusion

3. Empirical Investigation

3.1. Data Collection

3.2. Results and Discussion

3.3. Implications for Policy

3.4. Limitations and Future Research

4. Conclusion

5. References

6. Appendix

7. Bibliography

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16. List of Figures

17. List of Tables

18. Index

19. Glossary

A. We are talking about the historical classification for the lack of knowing something different. Shoes very definitely have a very different classification.

Q. Would it, in your view, be attributable to the difference in value to the shoes or to the difference in the cost of handling the shoes?

A. I can only say that the fact is that the carriers have merely carried on with a system which they started with and haven't changed yet.

MR. EVANS: Thank you.

MR. COVERT: That is all.

THE CHAIRMAN: That is all then, thank you very much.

MR. COVERT: Mr. Chairman, I believe we will now take up where we left off yesterday with the provincial brief.

MR. BRAZIER: I recall Mr. Brown.

MR. J. E. BROWN, recalled

CROSS EXAMINATION BY MR. O'DONNELL

MR. O'DONNELL: Mr. Chairman, and members of the Commission, I know that further amplification and representations are to be made by the provinces; and when these complete submissions have been made, we shall arrange such examinations ^{and} in reply as we may deem necessary.

Incidentally, this brief was only received by us late on Monday afternoon, and many miles from our records and data, and from the sources of information which may have to be consulted in connection with this study.

There may be statements in the brief with which we are

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in agreement and there may be others concerning which we have no fixed views and are open minded; and there may be others with which we will disagree and challenge at some later time and place. But subject to that, I have a few questions I would like to ask Mr. Brown.

THE CHAIRMAN: Very well.

MR. O'DONNELL: Q. Mr. Brown, would you turn to page 16 of your brief where you will see down towards the bottom of the page:

"It is here suggested, therefore, that, before a new rate is initiated or an old rate changed, particularly of the 'commodity' or 'competitive' type, the railways satisfy the Board of Transport Commissioners of the necessity and profitability of any such proposed rate."

Do you see that phrase?

A. Yes.

Q. Now, I assume that you wish to propose something that would be workable and practicable in any submission you make to the Commission. Have you thought about that particular recommendation from the point of view of its practical application?

A. I could not say that I might know all the pitfalls.

Q. We can agree that nowadays business moves rapidly and that ships come and go daily, and that the rates which are required are quoted many times a day in any city the size of Victoria, Vancouver, and so on?

A. We have gone through a period of considerable change, and we might look forward to a period of greater stability in the future.

Q. Whatever system is put into force should be flexible and should be able to take care of the everyday requirements of the business community?

A. I should think so, within certain limitations.

Q. I do not know what your limitations may be.

A. I cannot think of all the possible situations at the moment.

Q. Have you ever done any shipping yourself; have you ever been a traffic officer?

A. No.

Q. Incidentally, have you ever been engaged in the business of rate making and the examination of rates?

A. No.

Q. You have never worked for a railway?

A. No.

Q. And I take it you have never assessed a maintenance program or considered maintenance of ways and structures and right-of-way, and so on?

A. No.

Q. And you have never, in the circumstances, supervised the carrying out of any such program?

A. No.

Q. Now, to come back to this statement on a page 16, have you any idea of how many tariffs,, commodity tariffs, were changed last year, and competitive tariffs?

A. Oh, I suppose a substantial number, but I do not know how many.

Q.. Well, I suggest to you it was in the neighborhood of 29,,000, from 29,000 to 30,000. And I suggest that your suggestion would ~~not~~ - that your scheme would tend to slow

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up transportation and the handling of commodities very definitely.

A. I think many of the changes you refer to would probably relate to a complete change in the level of rates.

Q. I take your own words. You say: "...before a new rate is initiated or an old rate changed," the Board of Transport Commissioners must be satisfied of the necessity and the profitability of the proposed rate. As I read that, it means that in time, the railroad would take up your proposal but that the railways should take the matter up with the Board of Transport Commissioners. Wasn't that the idea you had in mind?

A. Essentially.

Q. And would you not agree that that would definitely slow up business, so that it would be an impediment and would result in considerable complaint from shippers and from the public at large and that it would result in delay in connection with the movement of goods?

A. You mean recognition that the present period has been one of very rapid change, and that it has had very serious effects on the railway?

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Q. To me, Mr. Brown, that is not an answer to my particular question. I simply put it to you that ~~if~~ every time ~~that~~ you say there a rate were to be changed, speaking of an old rate, or a new rate were to be initiated, being a commodity or competitive rate or any rate, on the reading that I put on your statement, it would necessitate an application to the Board of Transport Commissioners or a submission of the matter to the Board of Transport Commissioners for review by it and its approval.

A. No, but I infer from your statement of the large volume of such rates that had to be considered in the past period that it would become an impractical problem, and I am suggesting that in periods of ordinary stable price level ---

Q. Well, I will take it that there were only 5,000 tariffs changed; take any fraction you wish. I am asking you if you would not agree that the method you suggest there would not be anything progressive, but would be definitely a retrogression, in that it would not provide nearly as flexible a situation as prevails today under the Railway Act?

A. I can only answer that it becomes somewhat a matter of fact as to how many such situations would arise, and if the number of changes were an astronomical figure I could agree with you, but ---

Q. I am suggesting to you that relatively speaking they are astronomical each year, whether there is a general freight rate increase or not, and that your method would need many, many Boards of Transport Commissioners to operate under the program that you suggest?

A. Well, I am not entirely convinced there.

. Well, shall we leave it at this: you do not know and have not looked into that aspect of it?

MR. BRAZIER: Probably if you changed your method you would not have so many tariffs changed.

MR. O'DONNELL: Well, I do not intend to go along with Mr. Brazier's remark.

Q. Supposing there were a thousand tariffs a year or five thousand tariffs a year, and you knew that before you had written this recommendation, would it still be your recommendation?

A. I would think it would be not an unreasonable situation.

Q. And you would consider, then, that when the railways were asked for a rate by a shipper it would be in the interest of the public, if it were a new commodity or new routing or something else, that the railway should be forced to reply to the shipper, "Well, I am awfully sorry, but we will have to take that up with the Board of Transport Commissioners before we can quote a rate"?

A. Well, I think so.

Q. You think that is an improvement?

A. No, there might be this type of situation: there might be one which would be of a purely temporary nature.

Q. Well, take that one too. Here several years ago, on my information, at the head of the lakes there was a considerable amount of wheat that had to be moved, and the railways were asked for a rate; that wheat could either move by rail or by water, and it was a competitive proposition, and only for a few days during the balance of the shipping season. On your suggestion the railways

would have had to say to the wheat shipper, "Well, we can't give you the rate or quote the rate until we take it up with the Board." Would you want that to be the manner in which rates should be handled and dealt with, in the interests of shippers and the community at large, the public?

A. Well, you have two agencies, shall we say, competing; both of them I suppose are faced with somewhat the same problem in that situation.

Q. Well, do you think it is in the interests of business generally that there should be that necessity to delay and to refer each one of these changes to the Board of Transport Commissioners before the railways can deal with the problem?

A. Well, I have tried to suggest that I think there is probably a small area which would come under the category of definitely temporary situations.

Q. Well, I do not know what you understand by temporary situations.

A. Well, in which it would not occur again.

Q. But you know that every day in the year the rate-making officials and the rate officers of the railways are putting rates in and assisting shippers and assisting the public in quoting rates?

A. And then they publish them afterwards.

Q. Yes, under the law; and do you suggest that that is something that should be altered? I am just trying to find out what your view is.

A. Well, I can only abide by my first position on that. If the rate were going to be used to cover a fair volume of traffic for a reasonable period of time,

then I think that the interested party should have a chance to consider that; but where, for example, you had some construction material or construction equipment in one place and it was necessary to move that down, I should think that would be one movement, and that would be definitely a temporary situation, and I think the initiation might be left with the carrier to set what rate he thought was reasonable at that time.

Q. Then you would be willing to qualify your statement to take care of cases of that kind?

A. That is right, to that extent.

THE CHAIRMAN: Mr. O'Donnell, would you tell me this: you referred to the supposititious case or the case that did occur about shipping of grain at the end of the season. Were the rates in that case fixed by the Board of Transport Commissioners or by the Board of Grain Commissioners in so far as the lakes were concerned?

MR. O'DONNELL: Well, offhand I cannot tell that, my lord, but the point I am making is that the railways were free to quote a competitive rate without having to go to the Board of Transport Commissioners and get approval, as they would have to do on the suggestion of Mr. Brown.

COMMISSIONER INNIS: Is there a conflict of jurisdiction between the Board of Grain Commissioners and the Board of Transport Commissioners?

MR. O'DONNELL: I do not think so.

THE CHAIRMAN: At the present time who fixes the shipping rates on the lakes

MR. O DONNELL: On bulk shipments there are none.

THE CHAIRMAN: No rates?

MR. O'DONNELL: No. Package freight is the one on which there is.

THE CHAIRMAN: It is just purely competitive

MR. O'DONNELL: Yes; and, as I understand it -- I may not have all the facts of that case at the present time; it is some time ago since I heard of it, but it just occurred to me on reading this, that was something that had to be handled quickly, and the railways, on Mr. Brown's proposal, would have had their hands tied and been unable to act on it without the consent of the Board, and the shipping company was free to act as it pleased.

THE CHAIRMAN: Then, so far as you know, the shipping vessels are not controlled by anybody; they can charge what they like.

MR. O'DONNELL: Yes.

COMMISSIONER INNIS: They could not charge the maximum; the Board of Transport Commissioners would control the maximum rates.

MR. O'DONNELL: Yes. I do not think there is any conflict of jurisdiction. The Grain Commissioners have no jurisdiction on the freight rates.

THE CHAIRMAN: Does that mean to say, then, that the shipping rates across the lakes are free?

MR. O'DONNELL: Bulk shipments, I understand, my lord.

Q. Well, whether it be one, Mr. Brown, or ten thousand a year, would you ---

THE CHAIRMAN: Pardon me a moment, Mr. O'Donnell. In the case that you put there, I suppose you did quote a rate?

MR. O'DONNELL: Yes, and took the business.

THE CHAIRMAN: Do you call that one case out of

the twenty thousand or thirty thousand you were talking about

MR. O'DONNELL: I just happened to think of that as an instance that would bring home to Mr. Brown the manner in which the railway business is handled. It has to be handled in a hurry at times. There there would be a temporary rate published, an expiry date on it, and the business could be taken by the railways, to the ultimate benefit of everyone using the railway.

THE CHAIRMAN: That rate would only last for a few days

MR. O'DONNELL: Well, that is my memory.

THE CHAIRMAN: I just wanted to know if that was one instance of these very numerous changes of rates throughout the year.

MR. O'DONNELL: Yes. My understanding is that day in and day out, every day in the year, rates are made and rates are quoted, and so long as they remain under the ceiling business is taken or refused by the railways, using their business judgment as every other business does, and on the suggestion of Mr. Brown it would be quite impossible to carry on in that way; and I was just suggesting to him that it would be a detriment to business, let alone the railways, if the method that he sets out in his brief were to be adopted.

THE CHAIRMAN: All these changes, then, appear to be toward a reduction for the time being

MR. O'DONNELL: Yes, usually that is what they are. The ceiling is there, and it protects the public. The railway cannot go beyond the ceiling; it may take business under the ceiling, and on Mr. Brown's theory it

would not be able to take business without that long lag -- for instance, in the case of perishable goods, sitting on a siding or about to be delivered into the freight shed for shipment, it would be quite impossible for the railways to handle them.

THE CHAIRMAN: What you say, then, applies both to competitive and commodity rates?

MR. O'DONNELL: I think so, yes; and those are the bulk. The traffic moves on competitive and commodity rates principally -- more than eighty per cent of the traffic, I would imagine.

Q. In any event, you did not think that aspect of it through, Mr. Brown, with the many changes that are made day in and day out?

A. Well, I should think probably many items become -- if they are single items and do not entail a repetition.

Q. Well, what advantage is there in your suggestion? What advantage would there be in requiring the railways to delay acceptance of a shipment while it endeavoured to have the Board of Transport Commissioners inquire into the profitability or the necessity of any such proposed rate, so long as the rates are all under the ceiling prescribed by the Board? Where is the public hurt

A. As a matter of fact, at the present time if a rate is put into effect and it becomes injurious, I think, discrimination, the shipper can appeal to the Board of Transport Commissioners.

Q. That is right.

A. The only question is whether it should be after or whether he should have an opportunity before to have his position stated, and those usually apply more or less

to a set of rates which are used day in and day out or year in and year out.

Q. It is usually the shipper who asks for this type of concession, is it not, commodity rate or competitive rate?

A. I suppose so.

Q. Then how would the shipper be hurt other than to be obliged to endure a certain delay?

MR. BRAZIER: Some other shipper might be injured.

MR. O'DONNELL: Well, the law protects him against that, as Mr. Brown has indicated.

THE WITNESS: After the event rather than before.

MR. O'DONNELL: Q. After the event, true; but if a tariff be put in, it can be complained of by anyone who is affected by it, but would you suggest that the present method of handling that situation, the present control that the Board of Transport Commissioners has, should be altered so that no commodity or competitive rate could be changed without previously having had the matter considered by the Board. Do you still think that that is the thing to do?

A. I still adhere to my position.

Q. Now, before you wrote that did you make any inquiry at all as to the number of changes per year in commodity rates, for instance?

A. No, sir.

Q. Nor in competitive rates?

A. No, sir.

Q. And you made no inquiry, I take it, either as to changes in any other rates?

A. No. I think we discussed the numbers already.

Q. Right. I know you are a busy man and have other things to do, and possibly you did not get around to doing that. Now, at the bottom of page 16 you say:

"This latter practice" --

that of changing rates --

"introduces an unnecessary element of instability into the business structure of a community. We have specifically in mind the frequent changes in the 'transcontinental rates'."

THE CHAIRMAN: Mr. O'Donnell, I think perhaps you might read the sentence just before, which refers to favourable rates having been taken away.

MR. O'DONNELL: I am going to something else.

THE CHAIRMAN: Yes, but you did not give us that preface:

"Moreover we do not believe that once favourable rates have been given to a locality or to an industry" --

as we heard, you remember, about the shipping of livestock and so on, that once favourable rates have been given they should not be taken away, it says here "suddenly and capriciously".

MR. O'DONNELL:

"This latter practice introduces an unnecessary element of instability into the business structure of a community."

I should have made that clear. I was turning to something else.

"We have specifically in mind the frequent changes in the 'Transcontinental rates'."

Q. How frequently have there been changes in transcontinental rates, Mr. Brown, in the last ten years?

A. One of the men on the staff made some check on it.

MR. BRAZIER: I think it is very necessary to bear in mind that during the last ten years, for five or six of those ten the rates were actually frozen by the orders of the Wartime Prices and Trade Board.

MR. O'DONNELL: I had that in mind. I just wondered how in the circumstances there had been frequent changes in transcontinental rates.

THE WITNESS: I think prior to that date there had been a fair number of changes.

MR. O'DONNELL: Q. There had not been any for eight or nine years.

A. No. This is an unusual period, probably, we passed through.

Q. That is true; and you know, I take it, that the transcontinental rates were originally put in by reason of the water competition through the Panama Canal?

A. That is what I understand, yes.

Q. And you know that they were strictly competitive or on a competitive basis; the excuse for putting them in was that there was competition and if the railways did not meet it that they would lose the business.

A. I am given to understand that.

Q. Now, do you suggest when the competition disappears that the railways should be forced to continue those rates irrespective of the revenue position of the railways?

A. Well, I think the sentence that we put in here at the bottom of page 16 and the top of page 17 which you have just read is the answer. I do not think I can answer it in any other way.

Q. In other words, you would force the railways, on your theory or recommendation, to continue according low rates which were no longer justified or which might no longer be justified by reason of lack of competition; you would force the railways to continue that

A. Well, I cannot think of a situation which remains forever static; there must be changes.

Q. Well, let us put it this way, that the change might be -- I am not saying it is a fact; I am just discussing theory with you here -- if there were no water competition would you concede that the rate should be removed?

A. I would concede that in time the rate should be moved, and I suggest further down, towards the end of page 17, one of the criteria by which you might decide the timing of such changes.

Q. You mentioned also yesterday that your time period was something in the neighbourhood of twenty-five to fifty years?

A. I could not say what time it would be.

Q. I am speaking of a special rate that was put in to meet competition temporarily, possibly, and if the competition disappeared I suggest to you that the rate should be removed?

THE CHAIRMAN: Well, the brief says, should be kept going for a reasonable period of time.

MR. O DONNELL: Yes.

THE CHAIRMAN: Now I think it would be quite proper to ask Mr. Brown what he means by a reasonable period of time in that case.

MR. O'DONNELL: Well, I have no objection to that, my lord, at all, but he did mention, as I remember -- and he will correct me if I am wrong -- that his period of time for the incorporation of these changes into the rate structure of which he was speaking, he did not want to do it too quickly, and it might be spread over a period from twenty-five to fifty years.

Q. Wasn't that what you mentioned?

A. Well, I did suggest that it might be quite some length of time. I mean, many rates would probably be changed very quickly and others more gradually, and so on, and unless it was a specific rate and you knew the specific ---

THE CHAIRMAN: Q. But you were talking here specifically of these transcontinental rates, and then you say that they should be kept going for a reasonable period of time.

A. Yes, Mr. Chairman.

Q. Does that mean twenty-five or fifty years after competition has ceased?

A. Oh, no, sir, not necessarily. I mean transcontinental rates are a group of rates. Any one of those might easily be eliminated quite soon; others might continue for ---

MR. O DONNELL: Q. How soon would you suggest as a reasonable length of time? Two weeks after

competition ceased?

A. I couldn't say; I don't know.

Q. Or two months?

A. It would depend on the facts of the situation.

Q. Well, if there is no competition, that is the sole fact, that is the basic fact, is it not?

A. No.

Q. They were put in by reason of the fact that there was competition?

A. No. The facts of the situation are, in addition to the carrier you have to consider, as I suggested, all factors, including the effect of the competition, and the situation of the shippers has to be taken into consideration. I mean, you cannot just ignore the shippers, I am suggesting.

THE CHAIRMAN: Q. You see, these are particular rates of which we have heard a great deal, these trans-continental rates. Who would suffer, Mr. Brown, by the sudden cessation of these what you have called favourable rates?

A. Well, I am thinking ---

Q. Would it be somebody in Vancouver or somebody back in eastern Canada? Who would suffer?

A. Well, I am thinking ---

Q. If the competition stopped, there was no more competition by water, and the railways put the rates back to what they were authorized to be at, who would suffer? Whom would you have in mind? The shipper at the other end, or the receiver?

A. No, the shipper at this end would suffer, because he would then perhaps be deprived of what he had come to consider a market, that is, if the rate were such, the change in rate.

Q. Come to consider a market by reason of these low rates; is that it?

Q. Where would this market lie, then? Getting to a concrete case, not a matter of speculation, where is the market?

A. Well, it might even be central Canada. I don't know whether I can give any specific case.

Q. I think I see what you mean.

A. It might be central Canada. Some producer in British Columbia might be able to ship something to central Canada in competition with say something from the Maritimes or Newfoundland.

MR. FRAWLEY: Q. It might be Alberta, by reason of the back haul?

A. It might.

MR. O'DONNELL: Q. Is not or was not your market in the case of these transcontinental rates provided originally by the water competitor of the railway, the shipper, the shipping company rather? Wasn't that who provided your market.

A. Well, the situation is created ---

THE CHAIRMAN: That would be coming to Vancouver.

MR. O'DONNELL: Coming to Vancouver or going from Vancouver, either way.

THE CHAIRMAN: Going from Vancouver how?

MR. O'DONNELL: East, because the Panama Canal ---

THE CHAIRMAN: Quite right.

MR. O'DONNELL: Q. So that I put it to you that your market originally was provided by the water competitor, and if the water competitor of the railway quit and the competition disappeared, then why is it not fair that the railway should, upon the disappearance of the competition, apply the rate that the Board has found to be just and reasonable?

A. No, I am sorry, I cannot ---

MR. BRAZIER: Mr. Chairman, on this point I should like to state that we have here particularly in mind that, while there may be actual competition in existence today, we will firmly maintain that there is always potential competition there. Now, we have shown that a ship has just recently arrived in Vancouver, a shipping line has started, and it is quite within the power of the railways as it is today to slash their rates right down so that company decides it can no longer enter into competition with a steamship company. The day after the steamship company decides that the railways could, on their ground, put their rates right back up to where they were before or even higher. In other words, it is that kind of instability. We do not say that there should be actual competition there all the time, but if there is potential competition those factors should be taken into consideration.

THE CHAIRMAN: Don't you think that the higher the railway rates are the greater the potentiality of water competition would be

MR. BRAZIER: That is quite right, but once that actual competition comes into effect it is quite within the power of the railways under the present arrangement to cut their rates right down and put the steamship out, and as soon as that steamship is off, then the railways come back. Now, we say that sort of changing of the tariffs up and down is injurious to the business community.

THE CHAIRMAN: How? Well, perhaps you intend to show that.

MR. BRAZIER: You have no stability of your market, sir, your costs, at all.

MR. O'DONNELL:Q.Well, that is not the fault of the railway, surely. If the water competition -- I am not speaking of the present situation in Vancouver; if you would like to talk about that, I have a few ideas on that too; but I am just speaking as a matter of theory here with respect to what you are recommending. You know, do you not, that under the Railway Act through the years since the railways have been operating it has been a constant right of the railways to meet competition or to refuse to meet competition? You know that

A. Yes, sir.

Q. Now, does not your proposal entail the complete disappearance of that type or of that situation whereby the railways, using their business judgment, may decide whether or not they will meet competition in any given case?

A Well, I did not visualize depriving the railways of meeting competition in one sense. If they feel they are able to do a particular job better than a competing agency --

THE CHAIRMAN: Q. Yes, but according to the brief in the future they would first have to go to the Board of Transport Commissioners before they would be allowed to set up this new competitive rate?

A That would be essentially so.

MR. O'DONNELL: Q. On your suggestion the railways would have to go to the Board whether they put the rate up or down?

A That would be the case; that is right.

Q Both going and coming. Getting back to what I said, you know that the railways have been free through the years to meet competition. Does your suggestion not amount to this, that you would wish to change that situation and that you would force the railways to continue meeting competition even when the competition had disappeared, because you suggest they shall not be allowed to cease meeting competition?

A I think again you have to consider the setting, what has happened in the past and what might be done in the future.

Q Let me read you this extract from a judgment of the Board of Transport Commissioners which will be found in 31 C.R.C., 318. It is in the matter of the Mount Royal Milling Company. The quotation I give you is this:

"So far as water competition is concerned, it has been recognized over and over again in various decisions of this Board that the extent to which water competition shall be met is in the discretion of the railway. The

Board has also held that it is not the privilege of the shipper to demand less than normal rates because of such competition, unless the railway, in its own interest, chooses to meet it. This principle of water competition has also been recognized practically by all rate-regulating commissions."

There are several other cases which I could quote. Do you disagree with that kind of situation?

A That is what prevailed in the past. I grant you that.

Q Do you think there is anything wrong with it?

A I am inclined to think that probably that is not the best approach.

Q And that has been the situation which has prevailed for many years?

A Quite right.

Q What would you have to say to this? I should like to quote from another case, Eastern Canada Preserved Foods Association, Winona, Ontario, versus the Canadian Freight Association, 35 C.R.C., 179, page 282 or thereabouts.

MR. FRAWLEY: What is the year?

MR. O'DONNELL: 1928.

"It was set out that in the face of competition between rail and water lines, a commodity rate, such as was at issue, was recognized by the Board as a fair move by the railway companies to enable them to compete with water carriage; that it was quite another thing to force the railway companies to put in or to maintain such competitive rate in case they desire its abandonment as in the present instance."

Does your proposal not involve the maintaining of competitive rates which are no longer justified by reason possibly of changes in the situation?

A I don't think so.

Q Well, if I read it wrongly then that is not what you would ask the Board to recommend to Parliament by way of a possible change in the Railway Act?

A I wish you would repeat that.

Q If I misunderstood you and read your brief so that I thought you were intending to suggest that the railways should continue to maintain a competitive rate when the competition had disappeared, then I read you wrongly?

A Yes.

Q And the fact is you would be willing to allow the competitive rate to be withdrawn when the competition no longer exists?

A When other factors are taken into consideration.

MR. BRAZIER: After due consideration of the shippers.

MR. EVANS: You are not answering.

MR. O'DONNELL: Q. What about due consideration by the railways? Would you deprive them of their business judgment in the circumstances?

A You have, shall we say, an oligopoly set-up.

Q Let me read this little extract to you.

"We are far from suggesting that there should be arbitrary interference on the part of the Railway Commission with the business judgment of the railway companies....."

MR. FRAWLEY: Where is that?

MR. O'DONNELL: That is an extract from the Duncan

report, page 24.

THE WITNESS: I am sorry; would you read it again?

MR. O'DONNELL: Q. I will read it again. The Commissioners were Sir Andrew Rae Duncan, the Hon. W. B. Wallace and Professor Cyrus MacMillan. They said:

"We are far from suggesting that there should be arbitrary interference on the part of the Railway Commission with the business judgment of the railway companies...."

Does your proposal not amount to interference with the business judgment of the railway companies?

A Well, it circumscribes it to some extent, but I should say not completely by any manner of means.

Q What would you say to these words further along in that same report?

"In other words, what a railway administration might concede, in the exercise of its judgment on what was good business or might ultimately be good business for itself, seemed to us to be demanded as a matter of right by the trader so that his own business might be profitably developed whether the operations of the railway were remunerative or not."

Does that not fit the circumstances or suggestion that you make? Your suggestion is that the railways should be forced to maintain rates even though the competition has disappeared, at least during the time that you would want them to go to the Board of Transport Commissioners, which might be two, three, four or five months?

A Yes.

Q And in the interval other shippers who were shipping the same commodities as persons who had had the favourable rate that you refer to, would be discriminated against, would they not?

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A They would be discriminated against anyway during the earlier period.

Q They would be discriminated against so soon as the competition stopped because the rate is only justifiable under the law during the time that the competition prevails. Is that not the fact?

A Well, as it is laid out in what you are reading that is true.

THE CHAIRMAN: Mr. Brown may be in favour of changing the law.

MR. O'DONNELL: I am just going to ask him that.

THE CHAIRMAN: He may not agree with these judgments.

MR. O'DONNELL: Q. Are you in favour of discarding all the practice and jurisprudence that has grown up through the years, and of forcing the railway companies to maintain competitive rates when there is no competition in fact?

A I suppose that is fairly harsh.

Q I did not think you would want to be that harsh on the railways. I am just asking you.

A I make a suggestion at the middle of page 16, and I think that is approximately our position.

Q I will read one further extract and ask you what your view is. This is from the same case I referred to a few minutes ago, Eastern Canada Preserved Foods, at page 182.

MR. COVERT: It occurs to me that I should like to have the record completed. The witness referred to the middle of page 16.

MR. O'DONNELL: Q. Page 16 of your brief?

A Yes. I think we try to answer many of the criticisms, or shall we say questions you have raised, in this way. We say:

"While the Board of Transport Commissioners has exercised control over maximum freight rates little or no supervision has been given to minimums. Presumably it was not formerly considered necessary to control these latter rates in that they are supposed to reflect the influence of healthy competition."

Then we suggest in the next sentence that:

"A better recognition of the problems associated with an oligopolistic situation, however, suggests that the present area of controls is not adequate."

Q You want more control?

A Essentially that is right.

Q And you want the shippers --

MR. FRAWLEY: That is British Columbia, is it?

MR. O'DONNELL: Q. You want the shippers of British Columbia, of Vancouver, to be forced to wait when they could get a rate as they have during the many years that the railways have been running in and out of Vancouver, when they could get it in a hurry and get a business quotation so that they could avail themselves of a market that may not be there the day after tomorrow? You would want them to wait until the machinery had been put into motion that you contemplate, by way of an application to the Board for approval?

A I do not think I suggested complete control. I suggested the area of control might be extended a little bit.

Q Let us see how far you want your area of control extended. How far do you want the situation changed?

A Well, this largely arises, I suppose, out of a consideration of the facts once more.

Q I see.

A And I more or less indicated that I think there can be some differentiation between temporary situations and situations which are expected to be of some duration.

Q Do you not think that when the Board has fixed what is a just and reasonable rate in any given case that the railways should be free, in the interests of the shippers particularly and of the consuming public, to meet competition under that ceiling, under that just and reasonable rate, without having to wait two, three or four months?

A Well, generally again you see you have two or three agencies involved, and as I indicated a little earlier on page 15 of the brief, and I think as counsel for the province has already suggested, there is always a danger - it is a part of the last sentence of the first complete paragraph on page 15 - that you may force out of business what is actually a better carrier.

Q I see.

A That is the point we have in mind. If the railway is the better carrier by all means let us have the railway.

THE CHAIRMAN: Pardon me. You are referring to the rates authorized by the Board?

MR. O'DONNELL: Yes.

THE CHAIRMAN: And which you call the ceiling?

MR. O'DONNELL: Yes.

THE CHAIRMAN: I have never seen such an order, but does the order say that the railways must charge so much?

MR. O'DONNELL: No, the railway may not charge beyond so much.

THE CHAIRMAN: May not charge more than so much?

MR. O'DONNELL: Yes.

THE CHAIRMAN: And that leaves you free.

MR. O'DONNELL: Free under the ceiling as we please to meet the shipper who wants to buy our product, which is transportation, and make a deal with him to suit his business. It is he who is principally interested.

THE CHAIRMAN: The fixed rates are only maximums?

MR. O'DONNELL: That is right, but it is subject always that we may not discriminate as between shipper and shipper in similar circumstances.

Q You made some remark, Mr. Brown, concerning --

THE CHAIRMAN: That point is important. If the rates are the maximum that you may charge that implies that you may charge less.

MR. O'DONNELL: Yes.

THE CHAIRMAN: But if every time you endeavour to charge less you must make a distinct application to the Board for the power to charge less, and all the interests who are affected, or who think they are affected, are to be heard I can see how there would be a great deal of cluttering up.

MR. O'DONNELL: That is all I had in mind.

THE CHAIRMAN: I can see that. I do not say it is impossible, but then it would change the nature of the

rate fixing in the first instance because it is only the maximum that is fixed. That implies you can go beneath it if you like as long as you are not discriminating unjustly among people, and that would seem to leave it this way, that in order to show that you should be allowed to go under that maximum rate it would have to be shown that what you are doing is not discriminating unjustly as far as any other class. Is that right?

MR. O'DONNELL: That is about what it amounts to. In my submission the Railway Act provides for that. It allows anyone who feels he is unjustly discriminated against to file a complaint right away.

MR. FRAWLEY: The individual shipper.

MR. O'DONNELL: Yes, and he has to show his interest and he has to show he is hurt.

THE CHAIRMAN: Has anybody a different view of what the Railway Act provides about that?

MR. BRAZIER: That is in accordance with my understanding of the Railway Act as it is today.

THE CHAIRMAN: It is very important, you see.

MR. FRAWLEY: I think that is so, Mr. Chairman. It is only the maximum that is fixed, and under the Railway Act the railways are free to establish special commodity rates and competitive rates as long as they do not exceed the ceiling. What we will have much to say to the Commission about later on is the manner in which they act in the filing of these special commodity rates and special competitive rates. We say that the great prevalence of competitive rates is discriminatory against those areas where the other principle, the principle of what the

traffic will bear, is the guiding factor. That is the importance of it.

THE CHAIRMAN: I understand your case. We heard also in Edmonton that where a special rate has been fixed in favour of a certain commodity by cutting the maximum perhaps by 50 per cent that you should not be allowed to go back to the maximum again without going first to the Board of Transport Commissioners.

Mr. O'DONNELL: As I understand it under the law we are free. --

THE CHAIRMAN: I know you are free, but it was represented to us in Edmonton, and perhaps elsewhere, that that should be your position, that once you have lowered a rate you should not be allowed to put it back to the maximum.

MR. O'DONNELL: I have heard that advanced as being something that should be done.

MR. FRAWLEY: That related particularly to those rates which had been put in like the seed grain rate, which went in many, many years ago, and then was rather suddenly removed.

THE CHAIRMAN: Did we not hear about live stock?

MR. O'DONNELL: Seed grain.

MR. FRAWLEY: I do not recall about live stock.

MR. O'DONNELL: Pure bred live stock and seed grain.

MR. FRAWLEY: Pure bred live stock, yes; that was exactly in the same position.

MR. O'DONNELL: So on the theory that Mr. Brown advances we would have to apply, for instance, if there was competition to be met for authority to meet the

competition, and if the competition disappeared we would have to go back again and apply for authority to withdraw the rate. We would have twice as much business before the Board. The Board of Transport Commissioners would need to be multiplied many times over to be able to handle the ordinary business that transpires in any year, let alone the war years that Mr. Brown referred to. In any ordinary year there are thousands of rates a year, and on the suggestion of Mr. Brown each one would have to be reviewed even though each one was under a ceiling previously fixed by the Board as being a just and reasonable rate.

Q Mr. Brown, what would happen where, for instance, rates were in effect and there was a sudden rise in cost? For instance, wage rates last year went up suddenly, and costs of materials went up suddenly. Under your proposal the railways would have to continue rendering service at the old rates until they could go to the Board and have the situation reviewed?

A I think that is the situation at the present time, is it not? A general increase has to be reviewed.

Q I am speaking of individual rates, not a general freight rate increase. I am speaking of an individual rate which was put in, for instance, on a competitive basis, and there is a sudden rise in costs of operation. Would you not be willing to concede that the railways could stop meeting the competition if they saw fit in those circumstances by reason of the rise in their costs?

A I presume what you would probably do would be more or less what you have done this time, if there was a general increase in the price level.

Q I am not speaking of a general increase in the

¹price level. I am speaking of an increase affecting a particular rate.

A I can hardly see how an increase in wages, and so on, would just affect one rate. It would affect all the rates.

Q If the costs of operation suddenly go up, coal or oil costs, wages, and a lot more of the operational costs increase suddenly, would you tie the railways to the old rate until such time as they could go to the Board and indicate that, the competition no longer being in existence, that they wished to withdraw their rate?

A In one sense you are tied to that rate now. Your general level of rates is controlled, and I think the situation would still be parallel.

Q How do you say we are tied to that rate now?

A I believe you are speaking of a general increase --

Q I am speaking of an individual rate, a competitive rate, right now. Will you not agree that the law - and I should like to have the concurring opinion of my friends again in support of my view of the law - that we may cease to meet competition if we so choose?

A I believe you can cease to meet competition if you so choose regardless of whether there is any change in costs.

Q You are asking that that be changed?

MR. BRAZIER: The case you are putting to the witness is if your costs change. He quite properly asked you how the wages of the people handling one particular shipment can go up and not have a general wage increase. You go on with your question on the basis that the

increase can only affect one particular shipment whereas all the increases you have mentioned are general increases.

MR. O'DONNELL: The record says what it says, and I do not intend to get into any discussion with my friend on that.

Q You would change that, would you, Mr. Brown? Let me read you this one last little extract:

"The matter therefore presents itself as an application to compel continuance of a competitive rate, and on this point the Board is on record in many decisions. It has frequently expressed the view that, subject to the provisions of the Act regarding discrimination, it is within the discretion of the railway companies to meet water competition, but that the railway companies are not to be compelled to put in or maintain rates to meet such water competition." That is your understanding of the law at the present time, is it?

A. I believe that is so.

Q. Do you want that changed?

A. Essentially, yes.

Q. And you, in the circumstances, would force the railways to maintain a rate, a competitive rate, when the competition has disappeared?

A. I think we have repeated ourselves two or three times.

Q. All right. I just wanted it to be clear that that was what you contended for. You contend for a situation whereby the railways would have to continue to allow a favorable rate which you put in your brief and which, I assume, is a competitive rate, to remain in force, although there is no longer any competition.

A. I would refer you to the top of page 17, that they should not be changed until all factors are taken into consideration.

Q. And by whom? That is another thing?

A. The Board of Transport Commissioners.

Q. You would not allow the carrier to take it into consideration?

A. No.

Q. In other words, you would interfere with the judgment of the railways in these circumstances, something which the Board, through the many years, has refused to do?

A. Yes. We are back on page 16 once more.

Q. As to these views you are expressing, do you think that they would meet with the approval of the British Columbia shippers, the large shippers, the people who have to get a rate ten times a day?

MR. FRAWLEY: Ask him about the consumers.

THE WITNESS: I cannot speak for the shippers. I believe they will have to speak for themselves.

MR. O'DONNELL: Q. You have not discussed it with the shippers at all?

A. No, not specifically.

Q. We will leave that, then. Now, at page 16, there is another topic which you raised, in the second paragraph:

"In conclusion, the province of British Columbia advocates the application of the principle of pricing all forms of transportation on the basis of cost of service rather than value of service. The government is convinced that the adoption of such a practice would result in substantially uniform rates throughout Canada."

THE CHAIRMAN: Does the brief anywhere define or distinguish the difference in the meaning between cost of service and value of service?

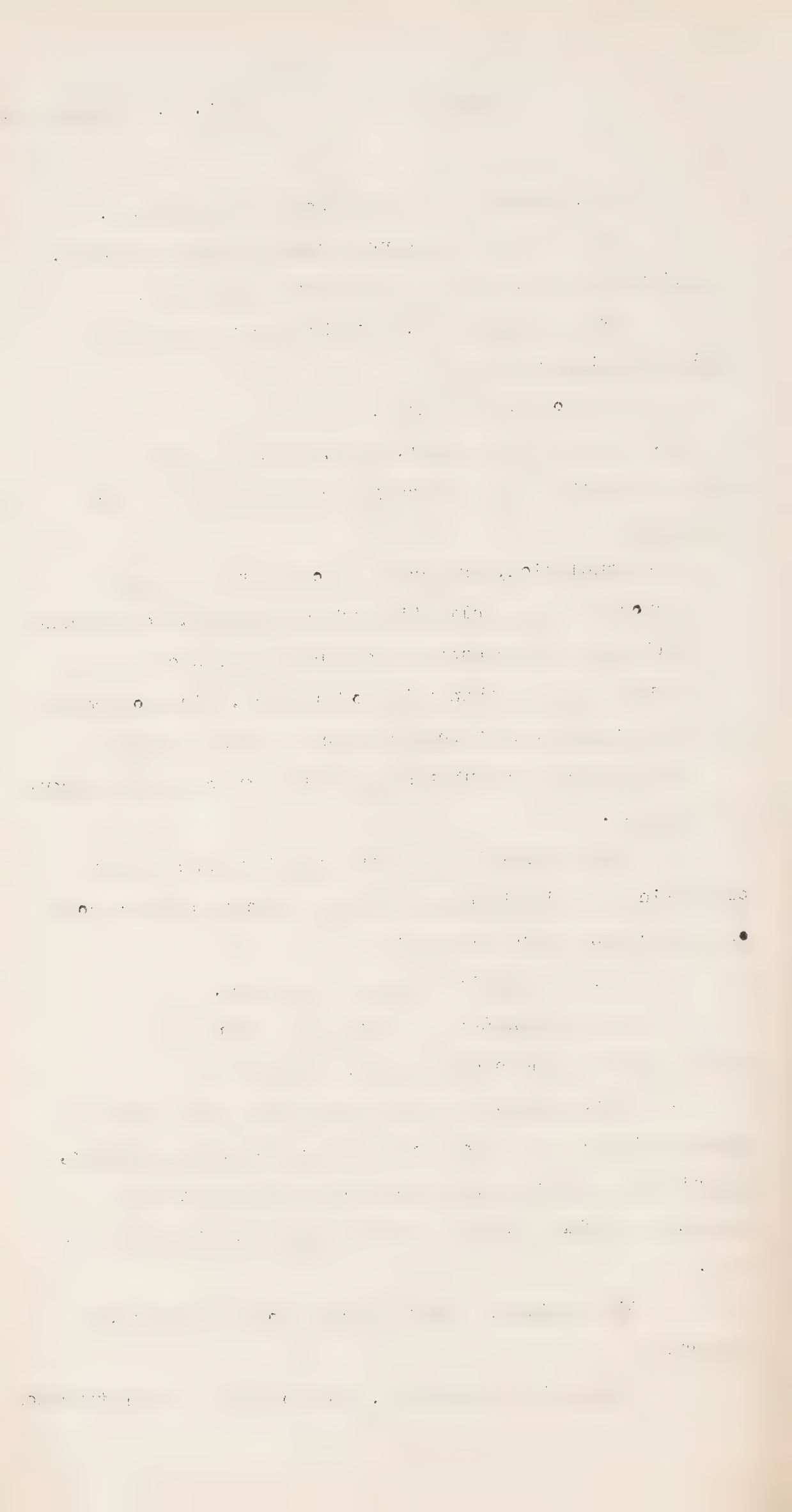
MR. O'DONNELL: I do not think so.

MR. O'DONNELL: Q. Could you define that distinction for the benefit of the Commission?

A. Well, essentially, I suppose the term "value of service" is the price you would extract from the shipper, regardless of what it might cost to carry it on that movement; roughly, another term for what the traffic will bear.

THE CHAIRMAN: That is what you mean by value of service?

COMMISSIONER INNIS: Q. Do you make any distinction



between "what the traffic will bear" and "what will move the traffic"?

A. That question has arisen, and I feel, from circumstantial evidence, as I say, at the bottom of page 15: "It does not appear that this would lead to any material increase in the present rates on low value, bulk commodities, and therefore, could not be considered to adversely affect this type of business." The evidence, I admit, is somewhat circumstantial, so I had to work on and around and about it.

MR. O'DONNELL: Q. Do you personally make no distinction between the phrase "what will move the traffic", and the phrase "what the traffic will bear"?

A. There is not a great deal of difference, that I can see, but there may be a slight difference.

Q. As the railways consider these matters, there is no difference. But I wondered if you had any? Now, as to the value of service have you anything further to say on that, other than what you have said?

A. I do not think so.

Q. What is your idea of "cost of service", in counter-distinction to "value of service"?

A. Well, essentially, my idea of cost of service in contradistinction to value of service is that, in certain areas, for example, the cost of doing that particular service might be considerably less than what you might have actually obtained from that particular shipper. It would be the value of the service; in other words, you might obtain a much higher price from him than would be necessary to cover the cost of the movement.

COMMISSIONER INNIS: Q. So there is a sharp difference between "what the traffic will bear", and "what will move the traffic."

A. There might be, possibly.

MR. O'DONNELL: Q. Would you not think that the value of the service to the shipper is a more important element than the cost of the service?

A. It might be. Essentially, I might have to go from Victoria to Vancouver, and you might be able to extract from me \$50 to go from Victoria to Vancouver in that particular case, because it might be worth that much to me.

COMMISSIONER ANGUS: Q. When you say that consideration should be given to the competitive situation of the shipper, was that what you had in mind?

A. On page 17, sir?

Q. Yes?

A. Well, I suppose, in one sense, it becomes the value of the service he has been given; so we can say: rates which are lower than what they might be normally.

Q. You are considering a case of costs?

A. Yes, that is right.

MR. O'DONNELL: Q. Coming back to my suggestion to you, or my inquiry, would not the value of the service to the shipper be a more important factor in determining the freight rate than the cost of the service?

A. I think transportation is a particular type of service and, while I will admit you can price it in terms of what you might obtain from him, that, because of the peculiar nature of transportation, its peculiar relation to our national economy, I do not think that is probably

Q. Now, is there a difference between the two?

A. Yes, the difference will be in the

value of the service.

Q. That is, the difference will be in the

value of the service.

A. Yes, the difference will be in the

value of the service.

Q. Now, is there a difference between the two?

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Q. Now, is there a difference between the two?

A. Yes, the difference will be in the

value of the service.

the best way to put it.

THE CHAIRMAN: Q. You do not think what?

A. Using the value of service; I mean, it is possible to extract from certain shippers and certain groups, probably, a much larger amount than they might normally have to pay, while other groups might pay a little less.

MR. O'DONNELL: Q. Isn't that so, that the cost of the service is but one of the elements to be taken into consideration in the assessment of a freight rate?

A. I think I am suggesting here, probably, that it may be a major element.

THE CHAIRMAN: Q. You would have it as a basic element?

A. Yes.

Q. Do you say that the province of British Columbia advocates the principle of transportation on the basis of cost of service? That is clear enough, that is what they say; that is the attitude of the province.

MR. O'DONNELL: I asked the witness if, to his knowledge, cost is not but one of a number of factors which should be taken into consideration when endeavoring to arrive at a just and reasonable rate.

MR. BRAZIER: You mean under the present system?

MR. O'DONNELL: Q. Yes, or any system?

A. I can only repeat: I think it is the basic factor, and I visualize that you may have a certain situation at the present time, and in a transition period it will be somewhat mixed.

Q. The national interest has somewhat of a bearing, sometimes, has it not?

THE CHAIRMAN: The brief answers that question. The brief says: "The government is convinced that the adoption of such a practice would result in substantially uniform rates throughout Canada." That is their attitude. Whether it is sustainable or not, is another question.

MR. O'DONNELL: I am endeavoring to inquire whether the national interest would have some bearing on the freight rates.

THE CHAIRMAN: It may be important for us here to know whether or not it is a concrete proposal made to us by British Columbia, that the principle of pricing all forms of transportation be on the basis of cost of service; and then they say and add that they are convinced that that principle should be adopted and that we should have substantially uniform rates throughout Canada.

MR. O'DONNELL: There is no doubt about that.

THE CHAIRMAN: We may be hearing more about that, in time to come.

MR. O'DONNELL: I think, in respect to that, we would disagree.

THE CHAIRMAN: What is your attitude? You do not agree with it?

MR. O'DONNELL: I do not think we agree with that; but our formalized submissions have not been put before the Commission yet.

THE CHAIRMAN: You are trying to show that they are mistaken.

MR. O'DONNELL: I am trying to find out if he would not agree that there are other factors besides cost of service because, I find, in the Duff Report, at

page 60:

"In determining what is fair and reasonable to the railways regard should be had, inter alia, to the cost, including remuneration in capital invested, in providing these services."

The Commissioners, in 1931, apparently thought that that was merely one factor to be considered. And I was merely asking the witness if he would not concede that there were, possibly, other factors. That is all I had in mind.

And I had, particularly, in mind, Mr. Chairman, the fact that here during the war, I think Mr. Brown would know that there was considerable shipment, was there not, of eggs and poultry made to Great Britain?

THE WITNESS: I believe I have heard about it, but I do not know from firsthand.

MR. O'DONNELL: Q. And that those shipments were made on rates which enable the products to be carried, and the contracts to be fulfilled, and they were at fairly low prices when in relation to the cost of the service delivered?

A. Yes.

Q. So I ask you if that is not an instance of another factor?

MR. BRAZIER: Ask him first if he knows those are the facts?

MR. O'DONNELL: Q. He has said that he heard of it, that there was poultry and eggs shipped out of British Columbia; and I think the record in the other case shows the considerable quantities that went forward.

A. I think that probably the answer is in the last

paragraph. On page 19, then, I presume this was in the national interest.

Q. That is another factor, is it not, in freight-rate making?

A. Well, no, it doesn't alter it. I do not think you have read the rest of the paragraph.

Q. I shall leave that and I now come to a little refining of this suggestion that the cost of service is what the province of British Columbia advocates. The province of British Columbia owns the P.G.E. railway, does it not?

A. I believe so.

Q. And are the rates fixed on the P.G.E. on the basis of cost of service?

A. I do not know.

Q. Have you ever recommended to them that they should fix their rates on that basis?

A. They have not honoured me with questioning me about it.

Q. Do you know what the operating ratio of the P.G.E. was last year?

A. No, sir, I do not.

MR. BRAZIER: I presume we might call the President of the P.G.E.

MR. O'DONNELL: Q. My information is that it was 160. That means, it cost \$1.60 to earn \$1 on the P.G.E. last year. But on your theory, the cost of service would be increased by 60 per cent, on that basis.

MR. BRAZIER: My learned friend must bear in mind that that is an unfinished railway, and that once it

is finished, they may not have such a ratio as that.

MR. O'DONNELL: Q. Mr. Brown, I said that on your theory, these rates would go up 60 per cent in the cost of service which has to be paid by the shipper; and you said, Yes, as I understood it; am I right?

A. That would be correct.

MR. FRAWLEY: You had better leave the mountain differential on in the P.G.E.

MR. O'DONNELL: Q. That is another thing. Do you know about that? My learned friend Mr. Frawley has information that, on the P.G.E., the mountain differential rates still apply?

A. I could not say, sir.

Q. You do not know that. Now, did you propose to the Public Utilities Board, which controls the operation of motor carriers in this province, that the cost of service basis should be the basis for fixing rates?

A. Did I?

Q. Yes.

A. Oh, no, sir.

Q. That is what I heard. The rates are fixed on motor carriers on the basis of a particular route and each route is looked into on its own merits. Is that your understanding of the situation?

A. Approximately.

Q. But your suggestion, on the other hand, in so far as the railways are concerned, is that there should be a uniform rate from Newfoundland to British Columbia on all commodities?

A. That is right. All commodities; perhaps that



sounds a little ambiguous.

Q. You think there should be one rate for each commodity carried?

A. Yes.

Q. On each commodity; and when added up, it becomes all commodities ultimately; and my suggestion is that you propose a uniform rate basis from Newfoundland to British Columbia on all commodities carried by the railways.

A. We are back to the same difficulty.

Q. Again, coming to something which, I think, entails a practical approach: You know, or have you heard of the new pulp mill which is to operate at Watson, or Port Edward?

A. Yes.

Q. That is the new pulp mill?

A. Yes.

Q. Then how, on the theory you have expounded to the Board, would you proceed to develop rates for that operation where, I am informed, the pulpwood is to come from about 100 miles up the river, from a place called Terrace, which is about 100 miles from Prince Rupert. Do you know Terrace?

A. I have been through it.

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Q. And when the sulphur to be used in the mill is to come from Texas, and the coal from Alberta possibly, or from Vancouver Island, or from Telkwa in British Columbia -- three possibilities -- and the machinery is to come from the United States, some two or three thousand miles away, and the pulp is to be sold in the United States, principally in New Jersey -- how would you, on this theory of cost of service, begin to compound and prepare rates, bearing in mind that in each of those instances, practically all of them in any event, there is water competition? -- pulpwood from Terrace, the sulphur from Texas, the coal from any one of those three points, the machinery from the United States, and sell the merchandise in New Jersey in competition with any similar merchandise? How do you apply your cost-of-service principle?

A. Well, I presume the various agencies who might be interested would indicate to the Board of Transport Commissioners.

Q. Well, I am suggesting to you for the time being you are the rate man, you are making the rate, you are quoting it; you have been asked for a rate; you are a the railway operator.

A. I am the railway operator?

Q. Yes. Are you going to tell this operator who wants to start the operation up there that will give employment to any number of people in the vicinity, that would develop into a healthy industry rapidly, possibly, to just wait till the Board of Transport Commissioners in Ottawa has looked into these various matters, and that

is all you can do about it?

A. Well, I should imagine in the course of a very short time almost any rate man would soon have a good idea of what would be a reasonable and acceptable rate, even in the eyes of the Board of Transport Commissioners.

Q. Oh, yes, I quite agree with you, but you are asking this Board, the Commissioners, to make a recommendation to Parliament that all that the rate men have in the past done by way of compiling rates should be discarded and this new theory of yours should be put into effect, and I am asking you now how you would go about giving the quotation on these various items so that the people who are to operate the mill may decide whether or not in their business judgment it is an operation that is worth while?

A. Well, I presume essentially it is the same thing as had already happened. The people who decide to build that mill there must have approached the various carriers to find out what rates they would charge to move the commodities in and move the commodities out.

Q. You are getting away from the situation. You are the carrier; you are the man I am approaching to ask for the rates, and I am asking you how you are going to quote the rates to me, using this theory that you have suggested to the Board should be put into force in place of that which has prevailed for so many years in railway life in Canada?

A. Well, I am not just too sure if I know, as your rate man, what your problem is, whether you are asking me

how I discriminate between various commodities or ---

Q. My problem is simply this: I go to you; you are the rate man and I am the manager, possibly, or I am the fellow who gets a telephone call, and I say to you, "I have had an inquiry from people who propose to operate a new pulpmill at Watson Island, on the west coast of Canada, some 500 miles, I think it is, from Vancouver, and they have asked for quotations on those various items -- the pulpwood, the sulphur, the coal, the machinery, and the sale of the pulp in New Jersey, and I have been asked to give them rates, and quickly," and you are the man who has to work it out, and you are going to work it out on the cost-of-service theory that you propound; how do you proceed?

A. Well, I presume a rate man at the present time probably has some idea of what it costs him to render a particular service.

Q. Yes, but you are going to discard all that idea, and you are putting in a new method and a new system.

A. No, I don't think so.

Q. And yours is the cost of service as against what you have termed value of service?

A. No, I don't think **that** is new. I just suggested to you that the rate man who makes a quotation even now must know what his costs are approximately.

Q. I quite agree with you that he knows now, on the basis that now prevails.

Q. Well, what is the difference?

A. You are asking that this Board recommend that that system be discarded and that the new one be adopted,

whereby rates shall be fixed on the basis of cost of service rather than value of service -- page 16 of your brief -- and I am asking you to suggest to the Commission how you as the rate man would act in that case, which is one of a number that any railroad of any magnitude has each day in the year.

A. Well, I really cannot see the difference between us, how he might act under the new arrangement ---

Q. If you cannot see the difference, then I will just leave it at that. And you say that when you had worked it out you would then further have to submit it to the Board of Transport Commissioners, on your basis?

A. Well, that might be an additional factor, yes.

Q. But before you got there you would have to have worked the computation out yourself?

A. That is right. I think probably they do that now.

Q. Now, just one other thing, Mr. Brown. On page 18 you gave some figures, Mr. Brown, to the Board concerning the charges or expenditures on highways and revenues from motor vehicles. I take it that the only figures that you have set out there relate to Provincial Highways as such?

A. That is correct, sir.

Q. And that you have not given any figures or similar information concerning streets in municipalities?

A. No, I have not, but I think you might very well argue that as far as streets are concerned they are properly a charge to the adjoining property owners; that is, they get egress.

Q. Yes, but on the other hand if some particular person in business uses the streets for the purpose of his business, should not some assessment be made against him concerning that particular use and that much heavier use than the neighbours make, and the ordinary citizen?

A. Well, he probably pays more property taxes towards maintenance.

Q. Why make any difference between the highway situation and the street situation?

A. Well, all I was suggesting was that in the case of main trunk highways I think they are properly a charge against the motor vehicle users, and streets and tertiary roads and so on are more properly a charge against property owners.

Q. In any event, you have not made any study of those figures, and have not any available, for highways and streets in cities and towns?

A. I do not think we can get a very sharp rate on that.

Q. All right, thank you very much.

EXAMINED BY MR. COVERT

Q. Mr. Brown, as I understand your brief, you said ---

THE CHAIRMAN: Before you start out, Mr. Covert, may I just point out:

Q. You have "Motor Vehicle Licences", and you show them to be so much

A. Yes.

Q. Can you tell us what distinction should be made there between the contribution made by the truckers and that made by the ordinary owners of cars?

A. In other words, you would like me to ---

Q. Can you tell us even approximately?

A. No, I am afraid I cannot. I am not even too sure ---

Q. The rest of this is compiled as if all this is to be borne by truckers?

A. I did not mean to convey that impression, sir.

Q. It says:

"It is our further belief that these motor carriers," ---

A. Did I use motor carriers?

Q. -- "through the heavy licence fee and by means of the gas tax, are paying their proportionate share of the cost of construction and maintenance of the public highways".

A. Perhaps I can explain it this way, Mr. Chairman ---

Q. And then, as you say, "In support of this opinion we submit the following data", and then the data includes all motor vehicle licences for 1948, \$5,613,699; that must include much more than the truckers.

A. May I explain it this way, Mr. Chairman: I tried to suggest first of all that the total revenue covers the total cost of the main highways.

Q. The total revenue?

A. The total revenue for all motor vehicle users.

Q. Yes?

A. Then I go on further to suggest that, since the motor carriers operate vehicles which are very, very much heavier than the average, and they also pay heavier

licence fees, it is a good possibility that they bear their full share, proportionate share, of this cost.

That is the argument I put there, sir.

THE CHAIRMAN: Well, I suppose that is about as far as you can go.

All right, Mr. Covert.

MR. COVERT: Q. Mr. Brown, as I understand it, your brief can properly be divided up into the six items listed on page 2?

A. Correct.

Q. The first point, then, really is the trading characteristics of this region?

A. That is right.

Q. And you attempt to establish that there has been a market pattern set up, a trading pattern?

A. That is right, sir.

Q. And you say in effect that this has been created by geographic necessity?

A. That is right.

Q. I would take it also that that is one of the things that Mr. Brazier said this morning, that you do not ask any concessions to be made in respect of that matter unless there are concessions made to others

A. That is correct; that is our stand, sir.

Q. Now, the next one you deal with is the over-all burden of transportation. I would like to ask you if this is a fair summary of your brief on that point. You say that because of the long hauls necessary to get to your markets and the long hauls necessary to bring into

this province the things which the people of this province must buy, and because of the rugged terrain and the wide dispersion of your natural resources ---

A. That is correct.

Q. -- and the centralization of the population in a comparatively small area,---

A. Yes.

Q. --- that there is a greater burden of transportation costs on the people of this province?

A. That is right.

THE CHAIRMAN: Pardon me; are you reading from page 6?

MR. COVERT: As a matter of fact, what I have done is to try to summarize it.

THE CHAIRMAN: Out of your own notes, yes.

MR. COVERT: Q. And again I suggest to you, you say this is another one of these matters which is perhaps a combination of economic and geographic disadvantage, and again I take it that the province says, "We feel that we must suffer from many economic and geographic disadvantages; we have the right to have the advantage of any geographic or economic advantages; these matters should not be taken into consideration in determining rates, unless they do it in the other provinces"?

A. That is correct, sir; that is our stand. We are not pleading the disadvantages unless they are going to be considered in other areas.

Q. Now, the third point of your brief is ---

THE CHAIRMAN: Q. But you do say that your share of the burden is larger than that of others, that

you have a heavier burden?

A. We feel that we have a fairly heavy burden, and probably even a larger burden than most other areas, that is correct, and if you are going to consider those factors, then we should be ---

Q. You say:

"Thus it seems very evident that geography and to some extent topography causes the burden of transportation costs to rest, if not more heavily, certainly as heavy, upon this region as upon any other area of Canada."

A. That is our position, sir, yes.

MR. COVERT: Q. You do not attempt to assess the amount of those geographic and economic disadvantages in this brief; you just say that they are there, and if consideration is given to them in the case of other provinces, well, we have some too.

A. That is right, sir.

Q. Then your third point, I take it, is, you are dealing with the distribution of transportation between agencies

A. That is right.

Q. And at the bottom of page 7 of your brief you state:

"Water transportation largely complements rail and road rather than supplementing them as in central Canada."

A. I am suggesting, sir, that it might be more economical to carry certain types of commodity by water

than by rail, but if you have not that alternative method you might necessarily carry it by rail.

Q. Now, you heard the evidence this morning on the question of competition from trucks; men from the Public Utilities Commission explained how trucks are regulated here?

A. Yes.

Q. Now, is it a fair question to ask whether under these circumstances there could be any complaint by British Columbia because of regulating truck competition here and perhaps preventing the lowering of the rates?

A. Well, I suppose we have an unhappy choice there, have we, between say a chaotic situation ---

(Page 2633 follows)

Q What you say in effect is, "we in British Columbia favour regulation because in the long run it is for the benefit of the people as a whole"?

A That is essentially our position.

Q And if you do that, if you adopt that view, do you feel that the province of British Columbia has the right to complain if rates are forced down in another province because of competition which they allow to run rampant?

A Well, as I say, we are faced with an unhappy choice.

Q Perhaps you are suggesting to the Commission that this shows that trucks should be regulated in all provinces?

A I think probably that might be --

MR. FRAWLEY: Or none.

MR. COVERT: Q. Yes, or none. You could not say none?

A No.

Q On page 8 you say:

"Railways have a monopoly on much of the transportation in Canada except at certain points and in certain areas."

Are you saying that they have a monopoly in British Columbia and do not have a monopoly in the central provinces?

A Oh, no. I think that monopoly situations and competitive situations can be found scattered throughout, but probably in certain sections of Canada one is more prevalent than the other, if I may put it that way.

Q I want to come back to that later. While we are dealing with the competitive situation, has the

province collected any data or information on the competition that shipping provides to the railways from the West Coast ports?

A You mean intercoastal?

Q No, I was not thinking of intercoastal, but it would seem to me there would perhaps be competition from shipping travelling from Vancouver via the Panama Canal to eastern Canada, or perhaps right directly to England. Have they collected any data?

A That again is intercoastal first of all.

Q I was not thinking of intercoastal at all. When you said "intercoastal" I think you meant --

A "Intra". During the war period of course there was none, and anything prior to that has now become somewhat a matter of history. I think perhaps we might be able to get some information if you really desire it.

Q It seemed to me on one page of your brief, if I can find it-- on page 5 in the first paragraph you say:

"In the case of ocean going shipping however, we can conclude that the total amount, both incoming and outgoing, amounted to approximately 7,000,000 tons."

A I probably should have said that that comes from what I think is called the shipping report of the Dominion Bureau of Statistics.

Q Is that not for the year 1947?

A That is correct. That is not intercoastal. That is foreign, to and from foreign.

Q If some of that was going via the Panama Canal --

A I imagine quite a bit of it would be.

Q If it had not been for competition you know that those goods might otherwise have gone by the railways across the continent?

A I suppose that would be true.

Q Has the province looked into that?

A To break that down?

Q Has the province broken it down?

A Where it might have gone by rail?

Q Yes.

A No, we have not.

Q Would it not be easily possible? Could you not find out from your port shipping register here?

A The steamship report gives the destination of most of these commodities. I do not know that we could always determine what route might have been taken.

Q I would think that information might be interesting to the Commission.

MR. BRAZIER: One difficulty is that we have no way of knowing whether, if the goods had to be shipped by rail to the Atlantic coast and then trans-shipped to England or some European port, that the goods would have been actually shipped to those ports of the world if that had been the situation. The cost of shipping by rail to the east coast and then by water to Europe may have closed that market to the British Columbia industry.

COMMISSIONER ANGUS: Has any traffic proceeded on transcontinental rates from Vancouver to Montreal, and then by ocean from Montreal to Liverpool competitively with the all-water route? Are the transcontinental rates needed for that type of competition?

MR. BRAZIER: The only one I have any knowledge of is in the shipment of eggs, but I think that is probably an unfortunate example because it was a contract made with the British Ministry of Food. I think the eggs were shipped to Montreal at their request so that they could put them on British ships. There were one or two shipments of eggs that went from the port of New Westminster. That is the only example I know of of that happening. During war-time, of course, by direction of the Ministry all shipped eggs went across the country.

MR. COVERT: Q. I was coming to that. It would seem to me that you should be able to collect some data. It might be there were ships that left here and went to Halifax or to Montreal, and vice versa, perhaps coming from England to Montreal and then around through the Panama Canal to Vancouver. Do you know if the province has investigated that?

A We have not investigated it as such, and I am not too sure whether we could --

Q Whether you could get any useful information?

A Whether we could trace the movements in that detail.

Q The fourth main heading of your brief is "Present methods of pricing rail transportation." It seems to me that in effect what you are saying is simply this, and I want you to correct me if I am wrong. You say that the present method used is value of service rather than cost of service?

A I would say primarily.

Q Yes, primarily. In your brief you present the views of Jackman, Clark and Healy, professors all, and

come to the conclusion that there is only a relatively small fixed expense in over-all expenses, and that costs generally are made to vary closely with the volume of traffic handled?

A That is right.

Q Except where light densities are involved?

A That was Professor Healy's stand.

Q Do you agree with that?

A I am not in any position to disagree or agree, as the case may be, with that statement.

Q I take it that you also agree with Professor Healy's viewpoint that this is so?

A Yes. I mean the results of this little statistical study on the experience of the Canadian railways --

Q Of American railways, his-wise?

A Yes.

Q I will come to yours. You are not prepared to agree or disagree with his percentages?

A No, I am not in any position to agree or disagree.

Q On the percentages that are set out?

A That is right.

Q And I understand you are not prepared to even give an opinion on what the percentages would be on Canadian roads?

A That is correct.

Q You have not even had an opportunity to give it the necessary study to arrive at any such percentages?

A From the little bit we have here it is practically impossible to locate any of the strictly operating costs which appear to be constant within the limits of the

traffic, or the level of traffic over this period of years.

Q Now, if it were demonstrated to you that these fixed items were of a much greater percentage than Professor Healy suggests, that is, if it were demonstrated that management could not control those as he suggests they can be controlled as related to the volume of traffic, then would the theory of the cost of service have to go by the board?

A It would certainly be very much damaged.

Q Now it is true also, as I understand it, that Professor Healy's theory only applies when there is a heavy density. As a matter of fact, he uses the first class American lines and he specifically says it would not apply to those of light density. I understand that you have not made a study of comparative densities of the two railway systems, or the American system and the Canadian?

A Again in answer to your statement all I have is the statistical results as applied to these two railways here.

Q I want to deal with those later. You depend on those two studies?

A I am unfortunately limited to that.

MR. O'DONNELL: The studies in the brief?

MR. COVERT: That is right..

Q Now, you would not be prepared to say that the density that Professor Healy talks about has or has not been achieved, or that the Canadian railways have reached the maturity that he suggests is necessary?

A No, except that once again since you cannot

find any element of constant costs --

Q I see. As I say, I will come to that, but I am glad you put that exception on the record. I think it is clear from your brief that you are not entirely satisfied with the use of locomotive miles to show the relationship that has existed between deflated operating costs and total locomotive miles. You do not think that is a good test of the theory?

A Well, there might be better units of measure of input of work probably.

Q I think you yourself suggested a better test, and that would be the basis of gross ton miles?

A Apparently gross ton miles is the one that railroad engineers tend to use, and probably it would have been a better one if it had been available. I doubt very much whether it would make any very serious difference in the results.

Q Are those figures now available to you, gross ton miles? Do you think they can be made available to you?

A Possibly they can be made available to me. I have not got them.

Q I will put it to you this way, that if they were made available to you and you used them in the same way you have done here with the locomotive miles, and if you got a different result, would you then say that this theory of cost of service would have to be abandoned?

A I guess it would depend somewhat on the precise nature of the result.

Q How good or how bad the results were.

A Presumably it might show up the constant element - I don't know - or you might have a different type of curve fit. I cannot tell.

Q. Now, on page 16 of your brief, when you put in the second paragraph: ".....the province of British Columbia advocates the application of the principle of pricing all forms of transportation....." I was wondering just what you meant there. Do you mean the railway, perhaps?

A. That is correct.

Q. And shipping?

A. That is correct.

THE CHAIRMAN: Railway, truck or shipping.

MR. COVERT: Q. "All forms of transportation"?

A. It is unfair to discriminate among the agencies.

Q. In other words, they should all be on the cost basis?

A. That would be essential, yes.

Q. And as a result of this, are you, in effect, saying: That if you had this, that probably each one would be getting into, or would be handling the traffic which it should be handling?

A. That is the hope.

Q. Would it, perhaps, follow from that, that eventually would you be having the Board of Transport Commissioners handle all of these things?

A. I am afraid that is a question I would not be in a position to answer.

Q. If different Boards were handling the different transportation agencies, there would have to be pretty close harmony between them?

A. That would follow.

Q. And between one or all, eventually, there would have to be a sort of economic planning board, if we carried out your theory?

A. I did not visualize that it would go quite that far.

Q. The reason I suggest that is because I find on page 17, the second full paragraph:

".....In certain instances productive resources have been organized in particular localities largely on the strength of specific freight rate differentials to their markets. There would seem to be little gain to the country...."

You mean there the country as a whole?

A. That is right.

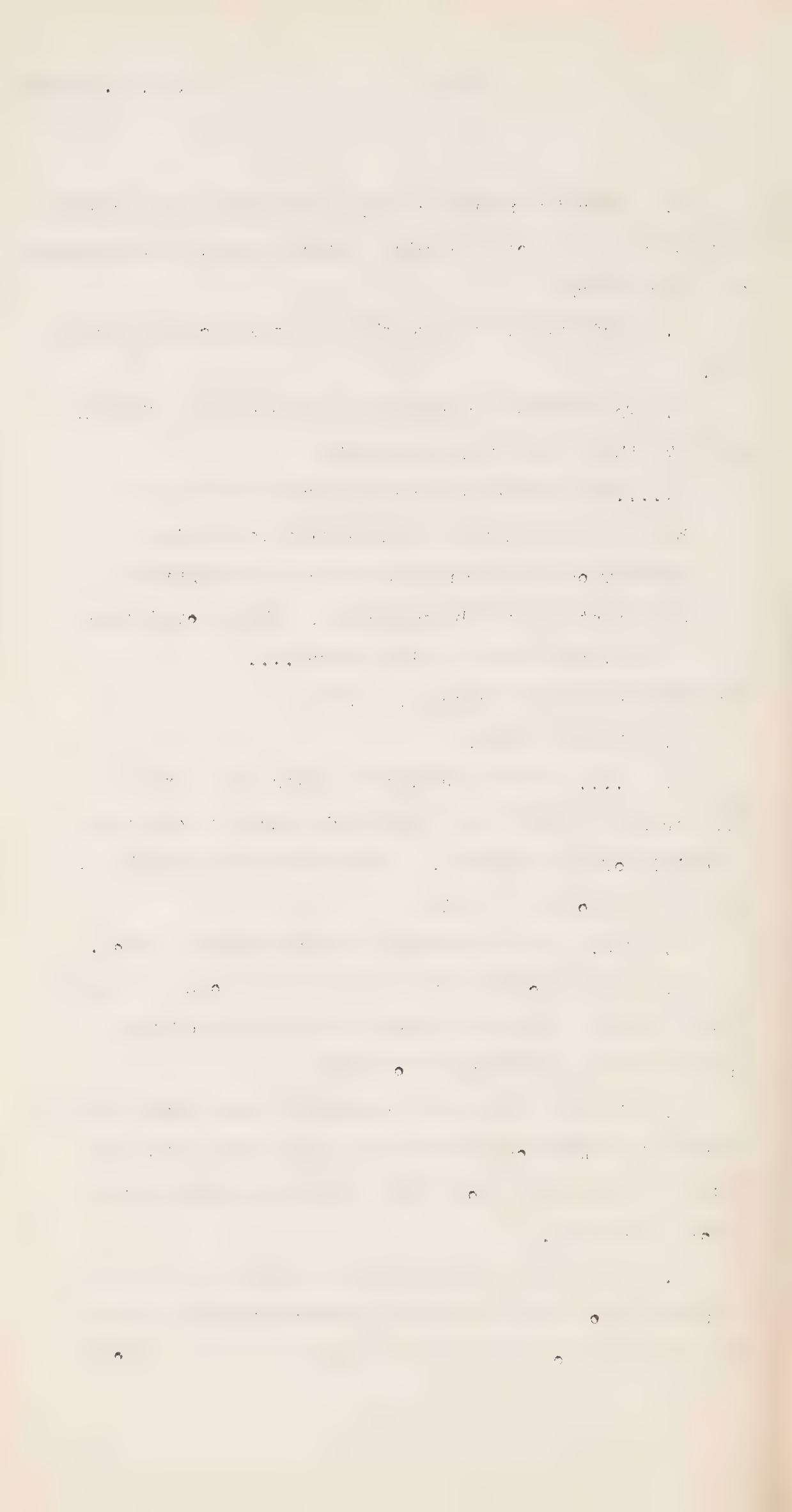
Q. ".....if these productive units were rendered more or less useless by a rigid adherence to some new principle of rate making". And that new principle, I take it, is your principle?

A. Yes. I am thinking of the transition period.

Q. Yes, in other words, somebody is going to have to decide whether a rate is going to affect one of these industries in a particular locality?

A. That is right. At the present time, the Board of Transport Commissioners have to decide whether there is injurious discrimination, after the fact, rather than before, probably.

Q. Yes. And I take it, and it seems to me that eventually you say the rate may affect industry, and it may have to go out of one place and to be put in another?



A. I would not say that it had to go into another place. This situation would not arise. So we say, unless there were two or three competing areas. What I am suggesting is: That if you change the rate suddenly, you immediately put one of the competing areas out of business. It might be. I do not say it necessarily follows; but it might be that a change in the rate would cause one of the competing agencies to immediately disappear.

Q. Take area A and area B which are engaged in the same business, and they have perhaps, the same markets; and there is a rate now which helps area A. You say you would not change that; but would you just do it step by step over a period of years?

A. Definitely.

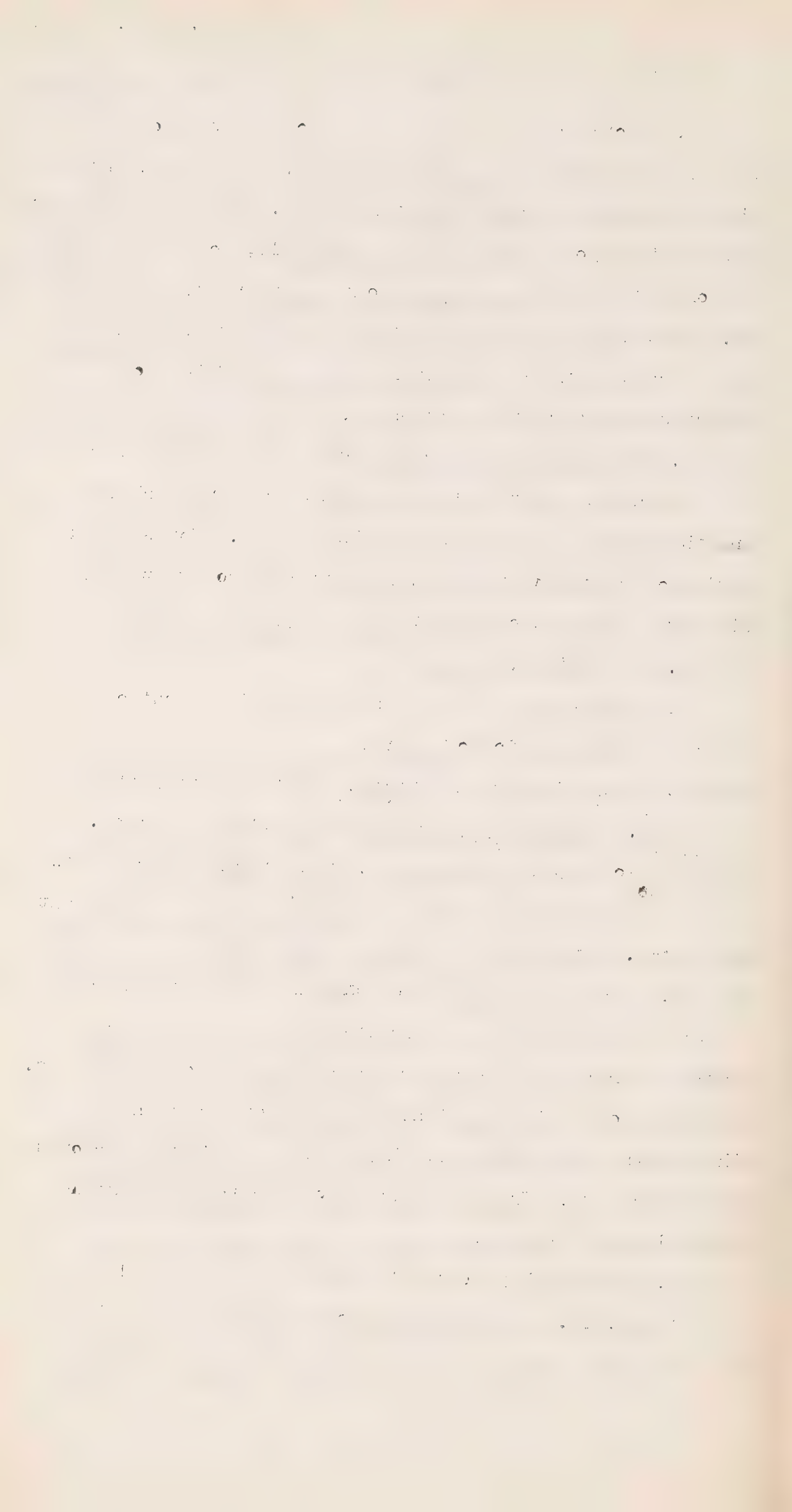
Q. Perhaps area A is going to have to go out of business over a period of years?

A. They might do it anyway. There are many shifts in areas. Some areas increase while others decline.

Q. You say that the B.T.C. would have to decide how many years and in what places they were going to take that rate down. Is that right?

A. I had it in mind, for example, that they might decide to change the standard mileage rates, and they would advertise that those rates were going to be adjusted. Possibly some shippers might appear before them and say that if they were changed, they would be affected seriously by that change. They would have to show that they would be seriously affected.

Q. And if they could show that, then you would say that the B.T.C. should be able to decide whether: This is



not for the good of the country as a whole. Is that right?

A. Yes. They would have to decide, from the facts before them, whether they thought that.

Q. And if it were shown that the rate under which they were presently operating was a loss rate, on the basis of cost of service principle, then that loss rate would have to be contingent, and perhaps gradually modified, step by step, until it was either paying the rate, or the business ceased to operate under it. Isn't that correct?

A. Essentially.

Q. You say the B.T.C. should decide matters of that kind?

A. It is probably, just taking it one step further from what they now have to decide.. They now have to decide whether it is injuriously discriminatory.

Q. When you begin to apply this principle of fixing rates on the cost of service, I suggest to you that you perhaps might run into rather serious difficulties, and I give you the old example, of course, of the carrying of a carload of silk and a carload of sand for the same distance between the same two places. Do you carry your cost-of-service principle to the extent that if it cost the same to carry the carload of silk as it did the carload of sand, that they should both bear the same rate? Perhaps I should not say silk and sand, but rather, two commodities that cost the same to handle and to carry, but one is of tremendous value while the other is of very low value. Should the rate on them be the same?

A. I think, generally, it is found that where you have

a high value of goods -

Q. It does cost a great deal more to handle them?

A. Yes, because there has to be extra care in handling those goods, and they are usually bulkier, and with low value, and bulky commodities, they actually can be moved at very very cheap rates. I think the Pennsylvania Railway carries practically nothing but coal.

MR. EVANS: Oh, no!

THE WITNESS: Which one is it then?

MR. BRAZIER: The Norfolk.

THE WITNESS: The Norfolk; and I understand that it is one of the most profitable railroads in the United States, yet the bulk of its traffic is just coal, which goes at an extremely low rate.

MR. COVERT: Q. There must be articles which must be just as easy to handle and no more expensive; but coal is an article which has a very low value; and if you apply the cost-of-service principle, you may run into this difficulty; that the one with the very low value just won't be carried, if you apply that rule?

A. All I have is really circumstantial evidence that I have been able to glean. But I will admit there might be that possibility.

Q. And if there was that possibility, then in order to get that traffic, would you make an exception to the principle and put in a rate which would carry that article?

THE CHAIRMAN: Which article?

MR. COVERT: Q. The cheap one?

A. No, I do not think so.

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THE CHAIRMAN: Even if the more valuable article costs more to take care of, it is still cost. It may be a higher cost. I see the example given by Mr. Brown; and if some articles require more care, that is only cost also. That is not value of service, that is cost. It may be a higher cost, in the case of one article, but the principle would be the same. It is cost and not value.

MR. COVERT: Q. As I understand it, you really carry this cost-of-service principle to the extreme limit?

A. Yes, I suppose that gets pretty close to it; but I do not like the word "extreme".

Q. Well, take it to the other conclusion; it is a logical conclusion?

A. Really it is a logical conclusion.

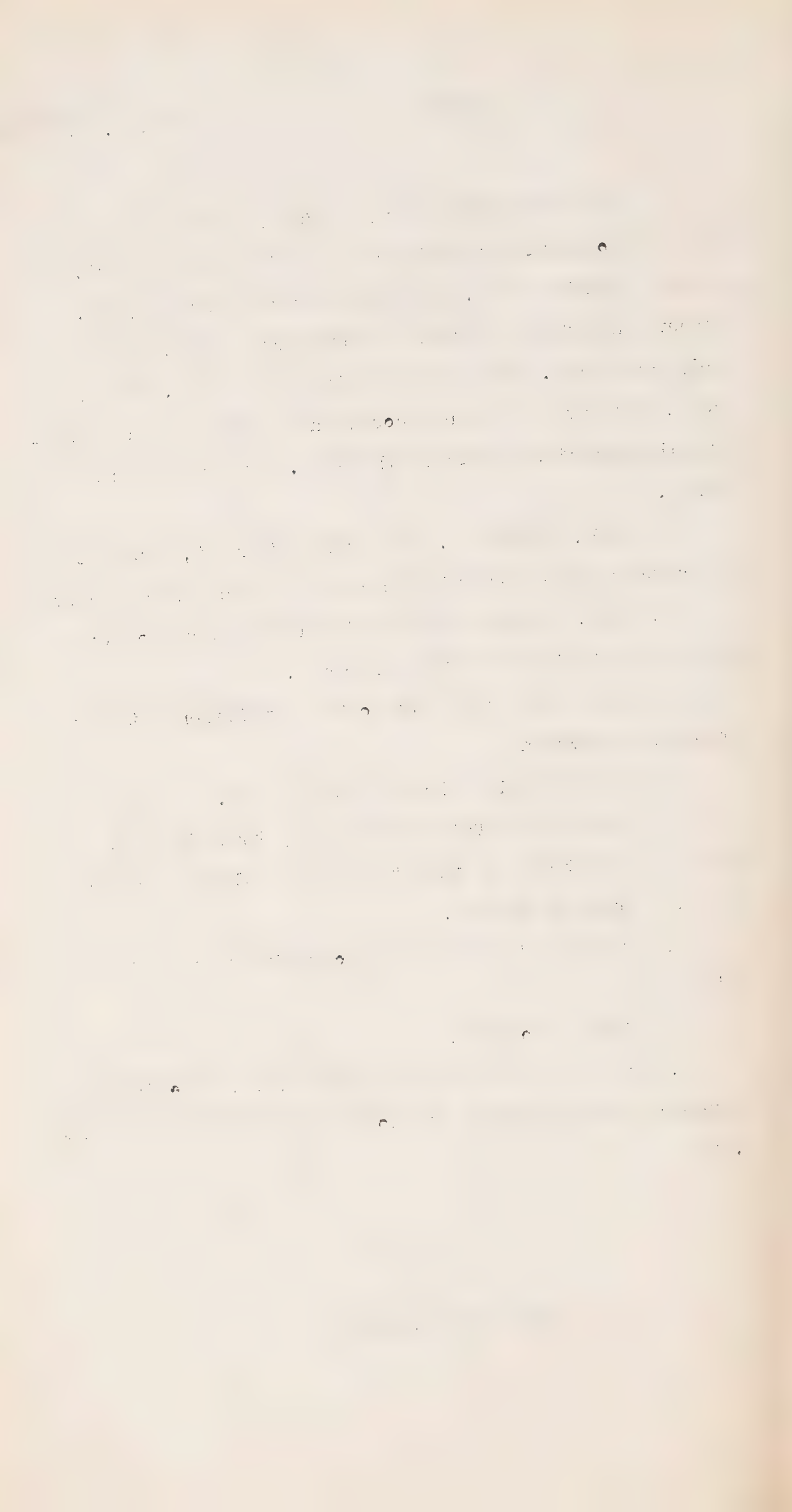
Q. Would it be fair to say also, that the main point of your brief is that this is the ultimate ideal?

A. That is correct.

Q. And that it may take a long time to put it into effect?

A. That is correct.

Q. And if it did result in the B.T.C. becoming an economic planning board, you would say that that is still O.K?



A. I don't know if I would be too happy. I don't know that it is necessary that it becomes that entirely. I mean, I think if you are suggesting a planning board you are suggesting that because I find it unprofitable to be in location A, therefore I must go to location B. I am not suggesting that at all. I am suggesting that whereas now you go before the Board if you are suffering from injurious discrimination, you would then go before the Board and say that this proposed change is going to put me out of business, and if I happen to be a marginal producer in a location I am afraid you would say, "Well, we are rather sorry," but if it was obviously going to affect the majority of the producers in that location, then you would give that due weight.

COMMISSIONER ANGUS: Q. On what principle?

Wouldn't it be the strong competitor who would go before the Board and say, "This is injurious discrimination, because you are giving the rate upon no possible service to a weak competitor, cutting into me in that way"?

A. Well, I think that the problem is a matter of shall we say transition, Mr. Commissioner; you are pricing it one way now and you propose to price it some other way at some **subsequent** date, and you have got to get from this position to that without causing too much disturbance, and I think, as I understand it, that seems to be the big problem at the moment. I don't know whether that has answered your question, sir.

MR. COVERT: Q. There is one other point I want to deal with. To come back to page 8 of the brief, again dealing with the question of monopoly, you

suggest that the railways have a monopoly in transportation, with certain exceptions, and that they are thus able to break up their markets into sections and to charge different rates in these different sections for essentially the same service?

A. Yes, that is the statement.

THE CHAIRMAN: Then you go into the consequences.

MR. COVERT: Q. It was suggested in a brief submitted in Edmonton, I think, by Gainers Limited that there were low rates established on livestock to central Canada, with the result that this encouraged the building up of the meat packing industry in the central provinces rather than in Alberta, where I think Gainers Limited suggested they should be, and they went on to say, I think, in that brief that there was not a proper relationship between the rate on livestock and the rate on meat, as I say, with the result of preventing the building up of a secondary industry in Alberta. Now, I wondered if you had something like this in mind here, that by virtue of this monopoly they were forcing ---

A. Well, I presume it does probably lead to some distortion, doesn't it? It is historical; the railway is picked out here because it happens to be the only transportation agency at the present time which has such wide ramifications, I presume. What I had in mind, I think, were just the different levels in the standard mileage rates.

Q. I was wondering if what you were driving at there was that this tended to build up industries in the areas where there is competition, or if you were going

perhaps further and saying that the railways fix their rates to encourage long hauls, and that they can do this by virtue of their monopoly?

A. Well, as a matter of fact, by virtue of their monopoly they can -- I presume we could say they have considerable leeway in pricing, haven't they?

Q. Well, I was just wondering what you meant, whether there was anything inherent in this:

"They are able to break up their market into sections and to charge different rates in these different sections for essentially the same service. As a consequence of this practice those areas which enjoy conditions of competition usually obtain much lower freight rates than do those areas which are not so favourably placed", and this all seemed to fall in that part of your brief dealing with the ---

A. The method of pricing:

Q. Yes, present methods of pricing.

A. Well, I do not think perhaps it is necessary to read ---

THE CHAIRMAN: Q. Isn't that part of the brief rather dealing with the other agencies and the lack of competition, the distribution of transportation between agencies?

A. No, I think ---

Q. Well, you have dealt with that just before, and you say there is no competition, therefore you say the railways have a monopoly, and you say as a consequence of this practice those areas which enjoy conditions of

competition usually obtain much lower freight rates than do those areas which are not so favourably placed. When I read that I thought you meant that the areas in eastern Canada which have the competition about which we have heard so much enjoy lower freight rates than you do in British Columbia because you have not got the competition.

A. That is essentially what I had in mind, sir. I was referring particularly to the standard class rates, standard mileage class rates.

Q. You have the competition in some areas, as we heard this morning?

A. Yes, that is right. I think in answer to one of the questions ---

Q. What I have not heard yet is whether that competition that you have to the extent that you have it has had the effect of lowering freight rates?

A. I think the answer would be yes.

Q. From here to Hope and up to Prince George, is it, the Okanagan Valley?

A. I could not speak as to that.

Q. There you have competition; are the rates so framed by your Utilities Board as to bring about a competition?

MR. BRAZIER: The railways have certain motor truck competitive rates in this province. There is one between Vancouver and the Okanagan.

THE CHAIRMAN: That is where they compete with trucks?

MR. BRAZIER: Yes, and they have lowered their rail rates to meet the trucking competition.

THE CHAIRMAN: I see; all right.

MR. COVERT: That is all, thank you.

(The witness retired).

MR. COVERT: Before adjournment, Mr. Chairman, it seemed to me that this was an opportune time to bring up ---

MR. BRAZIER: Just before Mr. Covert starts on the other subject matter, I have now, Mr. Chairman and gentlemen, details of Exhibit 27 which we arranged to file yesterday, of the goods recently shipped from Montreal to Vancouver through the Panama Canal, and I would just like to say a word or two about the exhibit. We have shown on the exhibit the various commodities that were shipped, with the quantity that was in each shipment. We have shown the ocean rate, and we have shown the lowest rail rate. Now, for an example, one of the groups of goods on it was beans in tins. The shipment consisted of 18,500 pounds, and the rate charged was 75¢. The rail rate we have shown as \$1.33, which is actually the rail rate on a shipment with a minimum carload of 60,000 pounds. The rail rate would have been substantially higher than the \$1.33 had they just shipped the 18,500 pounds; but there are other canned goods in it, and we have no way of knowing whether they come from one consignee and might have been shipped in one railway car if they had gone that way. We have also shown at the bottom of the first sheet the approximate additional charges which the shipper must pay when shipping by ocean freight, such as the Montreal wharfage, marine

insurance, Vancouver terminal charges and the trucking charges, amounting to 24 3/4 cents per 100 pounds, so in order to get a proper comparison of the ocean and rail rate, that 24 3/4 cents should be added on to the ocean rate to get the shipper's total cost. On the second page we have set down the items which were shipped in such quantities that they would only be covered by the standard mileage tariff of less than carload lots, and that is why the division is made between the two.

COMMISSIONER INNIS: If the shipper is not in Montreal, does this include the cost of shipping to Montreal?

MR. BRAZIER: We have not put in anything about that, Mr. Commissioner, because in some cases there was an absorption paid by the shipping company, but it does not seem to have been paid in each case, so we take this straight from Montreal.

MR. FRAWLEY: Isn't it quite clear that they are all as if the goods originated, as they in fact did, at Montreal? If I had some canned goods at Hamilton I certainly could not get them to Vancouver for 75¢.

MR. BRAZIER: Oh, yes, in some cases they absorbed the rail haul from Hamilton to Montreal before they were shipped.

MR. FRAWLEY: Just so the Commission will be clear about it, I have express information which I obtained -- and which of course I shall have to put on the record before the Commission will pay any attention to it -- that there is a rate of about 43¢ to get canned goods from Hamilton to Montreal to be trans-shipped in this new

Montreal-Vancouver service.

THE CHAIRMAN: Very well, Mr. Covert.

MR. COVERT: What I wanted to discuss, Mr. Chairman and members of the Commission, is the question of dates for the filing of the final brief by the provinces and the railways. This matter has been discussed once at least formally and several times informally, and it was decided that August 6 would be the date on which the provinces should submit their briefs.

THE CHAIRMAN: Discussing now the dates of the filing of final briefs by the provinces and by the railways?

MR. COVERT: And by the railways. The provinces suggested that they were not too happy about August 6 -- some of the provinces, I think perhaps Mr. Frawley in particular -- and then last evening we had an opportunity to discuss this matter with railway counsel. The suggested date for the filing of their briefs has been September 6, and they intimated to us that this was a practical impossibility -- I do not think I am putting it too strongly when I say that -- and they wanted to be heard as to an extension of time. It occurred to me that this was as good a time as any to have the matter discussed, while we are here.

THE CHAIRMAN: Now, what was the date fixed for the filing of the provincial briefs?

MR. COVERT: August 6th; that was the last time; prior to that it had been ---

THE CHAIRMAN: What had the provinces to say about that?

MR. FRAWLEY: Well, my lord, I have considerable to say. I thought, and I think now, and I make this

respectful suggestion to the Commissioners, that a matter of this kind might perhaps more usefully be discussed on a slightly more colloquial basis than making it part of the record. Not that there is anything that I have to say that I do not want on the record, but ---

THE CHAIRMAN: Without being made a part of the record?

MR. FRAWLEY: Without being put into the record; just to have an informal discussion.

THE CHAIRMAN: I think that the stage at which we have arrived now means that the question is of very great importance, because we have to decide right now.

MR. FRAWLEY: Very good.

THE CHAIRMAN: We have to decide right now what dates are to be set definitely. If there is any reason why the tentative date we gave you is not late enough, we would like to hear that.

MR. FRAWLEY: Then would your lordship like to hear me now, before the railways?

THE CHAIRMAN: Yes.

MR. FRAWLEY: I thought, my lord, I would have been called upon some time ago, because I was notified this morning that this matter would be spoken to, and I thought, as the agenda was going, we would have finished perhaps earlier this afternoon, but I do now want to discuss it quite thoroughly.

I agree with what Mr. Covert said, that perhaps the time has been reached now that we should be all together, both the railways and the provinces, to have this matter settled. We have had nothing, of course, I may

say, but courtesy and consideration from counsel and from the secretaries of the Commission, but in each case it was sort of, as I might say, ex parte, we were alone, and then later the railways were alone. Now each of us has been given what I take to be a more or less considered view of the Commission as to what the deadline should be, and we have objections to that, and so I have some representations to make to the Commission.

First I want to say that my friend Mr. Shepard and my friend Mr. MacPherson had to leave at noon, on the noon plane, to go back to Winnipeg, but they left me not only their verbal instructions, but each of them wrote something out so that I could put it on the record.

Now, it is always best to speak for oneself, and that is why I now want to speak for the Province of Alberta. I want to come right to the point, but I do think I should preface my remarks by saying that I would not want the Commission to think anything other than that the Province of Alberta is anxious that this matter should be disposed of expeditiously. We regard this as perhaps the most important thing that has happened in the economy of Alberta since it was established in 1905, and we certainly are not willingly parties to any undue delay. We are pleased that the Commission was set up, we asked for it, and we certainly want to do everything we can to help the Commission and to co-operate with the Commission.

(Page 2665 follows)

We have undertaken a large responsibility in Alberta. I am sure that the other provinces have also, but if you will look at the outline brief, Mr. Chairman, you will find that, whether I do the job well or badly, I have quite a large undertaking ahead of me.

Two of the matters in my outline brief have now been put on the record, the general statement of Alberta's transportation problem which was put on the record by Premier Manning, and a submission with respect to transportation and resource use which was dealt with by Professor Stewart. There remain five submissions. I have five separate and distinct submissions to make to the Commission. That is why I do not regard what I am now being asked to submit on the 6th of August as briefs. I do not regard them as briefs. I presume that I am now asked to give to the Commission on the 6th of August the evidence which I will lead in Ottawa in the witness box by one, two, three or four witnesses.

The remaining submissions, to which I have to direct myself, are No. 3, rate making principles and the rate structure, which will be a very comprehensive submission dealing with all of the anomalies and irregularities as Alberta sees them with explanations of them, arguments concerning them, and submissions with respect to their removal or their amelioration.

No. 4 is a very comprehensive brief dealing with what is perhaps our principal grievance, and that is the violation of the long and short haul rule. That is something which has been under way by different people for some time. The preparation of it has been under way for

some time, and it is still far from being complete.

No. 5 is a submission with respect to industrial location in Alberta and the present rate structure. That will have to do with such matters as have just been touched on in Edmonton by the Gainer Company when they talked about the lack of proper relationship between meat livestock rates.

No. 7 is also a very comprehensive piece of evidence with respect to the legislation, the statute, and the amendments which we think should be made, and the regulation by the Board of Transport Commissioners. You will see, Mr. Chairman, that is a very comprehensive submission. We will have to range through the functions in the Railway Act which will give effect to what we think is the new structure which, in our submission, will emerge from the work of the Commission.

No. 8 is of a more general character. It is a submission dealing with national transportation policy. It is something which will require some time to prepare.

Returning to No. 6, I did not say anything about that because frankly I think I am in no position, either by the 6th of August or the 6th of September, to write anything on the financial and statistical aspects of the Canadian Railway problem, because there are studies which are to be made by the Commission. I am satisfied that the Commission will not wish me to duplicate work that it has done, and therefore I am afraid that with respect to that there can be little more, in either August or September, than a submission that would depend upon the knowledge that we have, and the access that we have, to the studies

which the Commission is making. Finally if we are not to have access to those studies, or it is not practical - I do not mean that we would be refused, but it is not a practical thing for us to await the completion of those studies, then we will have to engage our own chartered accountants, our own experts to make a submission with regard to the capital structure of the Canadian National accounts, and statistical methods and practices of the railways, and the degree of co-operation to be achieved by reason of the Canadian National-Canadian Pacific Act.

In a brief word that is the undertaking to which I have set my hand for the purpose of this Commission. What is the situation in which I find myself with regard to carrying out that undertaking? As you may know, Mr. Chairman, I am the only counsel retained by the province of Alberta in this matter. I was the only counsel retained in connection with the rate increase cases. That is just a fact. Therefore I have been away from Edmonton, away from these young economists who have been working on these matters for some time. I think I have only seen them for a matter of days since I went away at the beginning of the year - and I could go back further than that - to represent Alberta in the rate cases.

I was instructed to act on the regional hearings, and I believe the last date is Charlottetown on the 27th of July. They will not be completed until then. Then I understand - and I am not very definite about this - that there will be some sittings in central Canada following that. That matter may not be decided yet, but if there should be any sittings in central Canada following

Charlottetown then I can see that it will be early in August before I am free of regional hearings.

The work is not waiting until I have returned from the regional hearings, but I am responsible for the work, and nothing is to be presented to the Commission until I have reviewed it and am satisfied with it. That is the situation. Therefore I put it to you very seriously, Mr. Chairman, that it will not be possible for the work to be completed by the 6th of August, regardless of a further factor which I am now going to put before the Commission. This is a personal matter, but I think that it is something that will affect all counsel because I have heard some counsel speak of it already.

One must have some relaxation from work of this kind, and I am hoping to take that relaxation some time in the month of August when the regional hearings are completed. If I am to be absent from that work at all it will be late in August before I return. It will be at least the middle of August at the very best. Then I will have to review the submissions, review the evidence, see the people who are going to present them and then be prepared to file.

In a brief word that is the situation which is facing the province of Alberta. Therefore I put it to you that the 6th of August is too early to complete this work. I have a suggestion to make which I will make before I proceed to put on the record what my friends, Mr. Shepard and Mr. MacPherson left with me. In view of everything I have said and the need for careful revision of what will be prepared for me by the economists and others who are

engaged on the work for Alberta, I suggest that the date of the 6th of August be moved to Monday, the 12th day of September. That will be the first full week in September following the Labour Day holiday.

I should like to read what Mr. Shepard left with me before he went away at noon. He says: "I wish to associate myself with the remarks made by my friend, Mr. Frawley, in speaking of the matter of the date by which provincial submissions should be filed with the Commission. I should like first to record an obvious fact, namely, that the government of Manitoba is sincerely desirous of assisting the Commission. When counsel for the three Prairie Provinces discussed this matter with Commission counsel and the secretaries in Winnipeg we did so in the hope that an extension of time beyond July 15 could be granted so that complete submissions could be prepared. Later when at a subsequent meeting in Regina we were informed that the time had been extended to August 6 the Manitoba government instructed me that every effort would be made to meet this deadline, but that September 1 was the earliest date by which the Manitoba submission could be adequately prepared. I was also instructed that any submission filed by August 6 might require considerable elaboration at the Ottawa hearings, and that this might also be the case, but to a lesser degree, even if the date should be advanced.

While September 1 is still considered by the Manitoba government as the earliest feasible date, September 12 would be more suitable, as suggested by Mr. Frawley. Manitoba has a limited staff available to prepare this

submission. It is the same staff that has been engaged since the appointment of your Commission on the mountain differential case, the 20 per cent case, and the preparation for the regional hearings at Winnipeg. Apart from counsel that staff consists of one economist and one chartered accountant. During this present summer the staff has been augmented by two men with economic training who became available about one month ago. The limited staff, and the other transportation matters with which it has had to deal since the beginning of 1949, are the main reasons why Manitoba now requires additional time, preferably until September 12.

It is appreciated that this is not a matter to be decided solely on the convenience of any one group, and that the Commission has timing problems as well. From a practical point of view we do feel that if Manitoba is to carry out its desire to assist the Commission as much as possible, with the limited staff it has available more time is necessary for the preparation of the Manitoba submission."

Mr. MacPherson Junior left me these rough notes. The committee - I take it Mr. MacPherson is referring to the Saskatchewan freight rates committee - met in Regina yesterday and decided that the present tentative date of the 6th of August would permit only an incomplete brief to be filed. I am instructed to ask the latest possible date. He refers to the shortage of staff. University people have become available only recently, and he refers to the time which was spent by these people on previous cases. The 12th of September would permit the filing of

a submission which would be of considerably greater assistance to the Commission than one filed on August 6. Those are the notes which my friends, Mr. Shepard and Mr. MacPherson left me.

Therefore, Mr. Chairman, as I say I am glad that the matter is, as it were, in the open with the railways here, and I do ask on all the grounds that I have urged that we do not be asked to file these pieces of evidence, which is what I prefer to call them, before the 12th of September.

THE CHAIRMAN: Mr. Brazier?

MR. BRAZIER: Mr. Chief Commissioner and gentlemen: as far as the province of British Columbia is concerned I can say that we will meet the Commission's wish as to any date provided it is not earlier than August 6, which I think is the date that has been tentatively set at the present moment.

THE CHAIRMAN: That date satisfies you?

MR. BRAZIER: That will be satisfactory.

THE CHAIRMAN: Who is next?

MR. EVANS: Mr. Chairman and Commissioners: I think I should say that there is no one more anxious than the Canadian Pacific to facilitate the early determination of the important questions which this Commission is dealing with. But I think too that it is important that important questions be dealt with after adequate and careful consideration.

I feel that the pressure on my staff and on myself during the past three years has been almost unbearable. I cannot conscientiously keep my staff working this summer without holidays. I do not think I could myself.

I have counsel engaged. Counsel will not be available to me until September. Whatever brief is filed, and it will be a piece of evidence as I understand it, will have to be discussed with counsel during the month of September.

There is a further point. Frankly while I sympathize with my provincial friends, and I think they have a problem having to attend the regional hearings and then to present their final brief in a short time, I think their difficulties are minor compared with the difficulties I face. It is perhaps a truism to say that it is easier to criticize than to defend. I will of course defend a system of pricing, a system of regulation, a system of rate making which has existed for forty or fifty years. It is not always easy to defend something when you are not able to rely on precedent.

THE CHAIRMAN: On what?

MR. EVANS: Able to rely on precedent. If we merely had to defend the system we now have by reference to precedent, which hitherto has been the case, it would even now be a difficult thing to encompass in one proceeding large numbers of matters which, decided separately, may have taken months in themselves.

Here we must go behind precedent. We must defend not only the precedent but the theory upon which that precedent was established. Therefore I say that it would be impossible to encompass, within the time which has tentatively been suggested, a constructive brief by my company.

I am, therefore, with the greatest respect, and in all seriousness saying to you, Mr. Chairman, that it is literally, physically impossible for me to present my brief by September 6th, and I say that, realizing to the fullest degree the responsibility that rests upon me.

THE CHAIRMAN: Have you any suggestions to make?

MR. EVANS: I made a tentative suggestion: That I felt that the earliest date I could meet would be October 1st. But I do think that I should have thirty days after the date fixed for the provinces. And while that matter is before us, may I mention that subject a little more fully.

At the procedural meeting in May, there was some discussion about reply and the exchange of briefs. Now then, I do not think there was any conclusion reached as to reply. I would say that the final brief would be a precis of evidence, and that there should be an exchange. But the idea of exchange, to my mind, meant that when one party had his brief ready, he would only give it to the other party when the other party's brief was ready for exchange; and I interpreted that to mean that we both would have a reply. But there seems, perhaps, - and it may have been quite wrong on my part to assume otherwise - that, in some way, in the interval between the filing of the provincial

submissions and the railway submission, there would be time for reply.

THE CHAIRMAN: You mean, reply by means of another written factum or brief?

MR. EVANS: First, I had considered that both would reply to the final briefs of the other, and that they would exchange them and have time to reply.

THE CHAIRMAN: And then exchange again?

MR. EVANS: Yes sir. That was my first impression after the May meeting. But I now gather that there was some idea of a time interval between the time fixed for the provincial briefs and the time fixed for the railway briefs. So, to permit the railways to reply to the provincial briefs, if that be so, I would be bound to say that a thirty-day interval is a very very small interval. I would say that was a minimum. Might I say that the earliest date I feel I could attempt would be the 1st of October, and that would be upon the assumption that it would not contain my principal reply. But if the provinces have until September 12th, I should have, at least, until October 12th.

MR. FRAWLEY: Might I say something about what Mr. Evans has said about a precis. It may be just ignorance on my part, but I did not understand that we were to put in a precis of the evidence. I would be very happy if that would be the ruling, but I thought we were to hand to the Commission on this date, to which we are now speaking, the evidence which the witnesses in the box would say, just as was done by Professor Stewart in Edmonton, and so on.

THE CHAIRMAN: You mean that the whole of this

evidence would be set out again?

MR. FRAWLEY: I mean that I would eventually be dealing with my long and short hauls, and that I would have witnesses who would speak to that, and that by this date which is now to be fixed, what the witness is to say, would be written out, paragraph by paragraph, and handed to the Commission. I thought that was what I was asked to do. But if Mr. O'Donnell says no, then, of course, it must be the same rule for the provinces as for the railways. I certainly want to know that, and I can only bespeak my own ignorance for having thought that. It must have come from some false assumption on my part.

THE CHAIRMAN: That would not be a brief?

MR. FRAWLEY: No. And that is why I did not like the use of the word brief; but my friends now say "precis."

MR. EVANS: It was suggested in Ottawa. I am not asking for it.

MR. COVERT: It was to be a full submission.

MR. O'DONNELL: We would call him, we suppose, as a witness to support it.

MR. FRAWLEY: All right then. It is understood that there is to be a brief and further submissions in writing to be filed with the Board. And then, what goes in the witness box may be considered in addition to that, as supplementary.

MR. COVERT: Let us not have any misunderstanding about this point because I think it would be a terrible thing to happen. I think Mr. Ilsley made it very clear that when he was referring to a brief or submission, the terms were being used interchangeably. And my understanding

was that these final briefs are to be exactly as you have had in Calgary, and with Professor Stewart. You might call someone else to read it, but it is to be a full submission of their case. It is not a precis or brief, but a submission.

MR. O'DONNELL: That is clear and we will call witnesses to support it.

THE CHAIRMAN: You should have the evidence of each one of the witnesses set out. That is what Mr. Frawley submitted.

MR. FRAWLEY: Yes.

THE CHAIRMAN: I think you are entitled to that in view of the amount of work thrown on you.

MR. FRAWLEY: There will be just so much said, whether it is by one person or ten persons.

THE CHAIRMAN: I think we understand each other, about the nature of this so-called brief.

MR. O'DONNELL: I have in mind here not only the vacation and rest which Mr. Evans and the staff require, but I think the Commissioners have had a hard year on one side of the water or in universities, and they also should have a certain amount of rest. And I would say, further, that possibly what Mr. Evans says may not be fully appreciated by those who come fresh to this matter. I can agree with what Mr. Evans said. I have lived with freight rates and with freight rate matters not so entirely or constantly as has Mr. Evans, but for the better part of three years. And when I say that, I mean that for months we were in Ottawa with the 21 per cent case and engaged on

that for months. We had 150 odd days of sittings; and apart from the sittings, we had night work. Now, the court room, as your Lordship well knows, is but a part of the day; and before we got to the court room, there were weeks and weeks of preparation. We ended up with a record of 20,000 odd pages and a great pile of exhibits. Then we were asked to review it at a subsequent date before the Privy Council on appeal.

Then there was another case, the 20 per cent case and we went to Ottawa, after having done the preliminary work this year, on the 11th of January, and we left there on the 26th of March. Then we went back and argued it. And the next day after we had finished, we went before you, Mr. Chairman, and the Commission. There was no rest, no break, no anything. That was the history of the 21 per cent case and the 20 per cent case.

In the 20 per cent case, all that had been in play in the 21 per cent case was under review. It was not just a further small application, but everything was involved in that from an extensive record.

That is only part of the story, in so far as the Canadian National Railways are concerned.

Mr. Vaughan, on the first day of the sittings, assured the Commissioners of every cooperation and assistance, that it would be given, and I say that it will be given. But while there are many employees in the railway, there are but relatively few, who, in the final analysis, are the men who must make the final decisions. And it is the wish of the Canadian National

Railways that top level officials of the company be made available to the Commission in order that the best information and judgment be made available to the Commission in its deliberations.

There are relatively few of these men; and this year since the announcements of the establishment of the Commission, or, as soon as it was announced, a committee was set up, and that committee has worked. But its work was interfered with, quite apart from the 20 per cent case and a review of the 21 per cent case, by the case of the mountain differential which took some of the officials of the company the better part again, of three months. And that had to be worked in between the Annual Budget of the Canadian National Railways which had to be prepared and submitted to a Parliamentary Committee. That took five or six of the top level officials, and in addition, confederation with Newfoundland and the taking over of the Newfoundland railway had to be worked in, and it all had to be done on very short notice.

We want to be expeditious and we want to help in every possible way, but we think the Commission will want to have the best possible advice.

There is a further thing: as I understand it, these provincial and regional hearings will not end until about the 15th of August. Now, it is absolutely utterly impossible to do any work, I mean any work on the final brief or submission, while we are involved in travelling from one end of Canada to the other and back again. And, apart from that, altogether apart from those special studies and matters that had to be handled, the railway had to continue running. Now, those officials are in the same position as Mr. Evans' officials, they have had an extremely heavy two or three years, and of all the rate matters with which we have been involved I think the work of this Commission is the most far-reaching and the most important of the whole array in the final analysis, and in order to do real work for the Commission we feel that the date suggested by Mr. Evans is not at all out of the way. After all, the real, practical, first-hand information concerning railway matters in Canada must come from the railways, and in order to get that and present it in a proper way and make it available so that the Commission will have the best possible advice, we need that extra time.

Now, until the provinces had indicated in their briefs the position which we had to consider and which we had to meet, we did not get those things until -- British Columbia we got the day before yesterday, when we came here, in the final analysis. I do not impugn anybody for that, but that is the situation factually, and until we knew what we had to study there was no use going off on an array of studies that might not be of interest.

I would just make this slight distinction as far as I am concerned and as far as Mr. Friel is concerned: we do not take the position of defending anything. The matter here is before the Board for review. I think Mr. Evans did just happen to use the word "defending". We are not defending anything; we are here prepared to assist in explaining and bringing whatever light we can on these various subjects, and if the Commission in the final analysis has a view other than ours, or we have views other than the provinces, it is not a matter of defending, it is merely a matter of presenting. In order to do that in the best possible way, I agree with Mr. Evans and Mr. Friel on behalf of the Canadian National Railways. We think that Mr. Evans' suggestion of an interval of thirty days after whatever date the provinces are given would be satisfactory, and that would be roughly the 12th of October if the 12th of September is the date as requested by Mr. Frawley and the people for whom he speaks; but in any event certainly not before the 1st of October, and that is with all the goodwill in the world and all the willingness to do the job as quickly as possible, because I do not think anyone has any more desire to get home and get out of freight rates than I have.

MR. FRAWLEY: My lord, Mr. O'Donnell said there would be, he understood, regional hearings until the 15th of August. Now, I am not interested in the regional hearing in Newfoundland, if there is to be one there, but I am interested in any others in central Canada, so that if we are to be kept at regional hearings until the 15th of August, that certainly even shortens the time for

the completion of this work by the 12th of September. I know nothing of any hearings after the 27th of July at Charlottetown.

MR. O'DONNELL: Well, I inquired from the ---

THE CHAIRMAN: Mr. Frawley, for your benefit and the benefit of all concerned, we may tell you this, that the Commission has decided to sit in Quebec City on July 30, in Montreal on August 2, in Toronto on August 5, and in Newfoundland from August 10 to August 13.

MR. FRAWLEY: Well, my lord, I think that my province will expect me to attend the Ontario sittings, because I am mindful that the Premier of Ontario in the last general rate inquiry attacked the Crows Nest Pass grain rates, and I do not know what they may do now but I think there will be necessity for the western provinces to be at the Ontario sittings. Now, that takes us to the 5th of August.

THE CHAIRMAN: That is true.

MR. FRAWLEY: And, frankly ---

THE CHAIRMAN: You see, we do not know as yet whether the Ontario Government will present a brief or not.

MR. FRAWLEY: That is true, sir; and the only fear is that if the Board now fixes the deadline it might be very embarrassing. I only want to say, my lord, that when I asked for the 12th of September and my friends joined with me we felt that as far as we knew the sittings would be finished on the 27th of July. We did think then that there would be some sittings in central Canada, but we did not know whether they would be much later. Now it looks as though we would be engaged

right up to the 5th of August, and I ask your lordship to keep that in mind when you are considering my application.

THE CHAIRMAN: Yes. Well, we shall consider this application, of course, and probably some time while we are in Vancouver will dispose of the matter then.

---The Commission adjourned at 6.05 p.m., to meet in Vancouver, British Columbia, at 10.30 a.m., on Tuesday, June 28, 1949.

A.R.

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Subscription price, Five Dollars Per Annum in Advance. Single Copies, Fifteen Cents.
Entered as Second-Class Matter, October 3, 1917. Postpaid at Special Rate of \$3.75 Per Annum.
Acceptance for mailing at Special Rate of \$3.75 Per Annum provided for in Post Office Department Circular No. 111, March 3, 1911.
Postpaid at Special Rate of \$3.75 Per Annum provided for in Post Office Department Circular No. 111, March 3, 1911.
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Published by the AMERICAN MEDICAL ASSOCIATION
535 North Dearborn Street, Chicago 10, Ill.
Telephone: AB 5-2121
Cable: AMEDASSO
Second-Class Postage Paid at Chicago, Ill.
Postmaster: Please Send Address Changes to JOURNAL OF THE AMERICAN MEDICAL ASSOCIATION, 535 North Dearborn Street, Chicago 10, Ill.

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(H. B. Ewer- cont'd)

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THE ROYAL COMMISSION ON TRANSPORTATION

Vancouver, B.C.
Tuesday, June 28th, 1949

THE HONOURABLE W.F.A. TURGEON, K.C. LL.D. - CHAIRMAN

HAROLD ADAMS INNIS - COMMISSIONER

HENRY FORBES ANGUS - COMMISSIONER

- - - - -

G. R. Hunter,
Secretary

P. L. Belcourt,
Asst. Secretary.

- - - - -

THE CHAIRMAN: Very well, Mr. Covert.

MR. COVERT: Mr. Chairman and members of the Commission: the first submission is that of the Vancouver Board of Trade. Mr. T. G. Norris, K.C., will make the presentation.

MR. FRAWLEY: Mr. Chairman, before the witness commences, at Calgary the witness, McFall, was asked to bring up to date table 4 of his brief. Then he was asked by Dr. Innis to make a part of his brief table 5 which had to do with revenue freight carried by the railways, 1931 to 1947. Reference is made to this in the transcript of June 13, 1949, volume 9, pages 1594 and 1597. I now have a sufficient number of copies of those two tables. It has been suggested to me that table 4 will become exhibit 33 and table 5 will become exhibit 34.

EXHIBIT NO. 33: Table 4 of the brief of the Alberta Federation of Agriculture.

EXHIBIT NO. 34: Table 5 of the brief of the Alberta Federation of Agriculture.

THE CHAIRMAN: Now we are to hear from the Vancouver Board of Trade.

T. G. NORRIS, K.C., Called

THE WITNESS: Mr. Chairman and Commissioners: the Vancouver Board of Trade is very glad to welcome to Vancouver the members of the Commission, counsel and others in attendance and trusts that their visit here will be pleasant as well as profitable to the people of Canada. You may be sure, Mr. Chairman, that our members will be glad to

co-operate with you in exploring the transportation problem to the end that your study may be facilitated and that you may be able to make recommendations which being implemented will provide a transportation charter, so to speak, ensuring stability for the railway companies and others engaged in transportation, and removing, to a large extent, the causes of discontent which have existed in the past.

The Vancouver Board of Trade respectfully requests, for reasons which will hereinafter appear, that the submission now made be regarded as entirely preliminary in its nature and as an opening to further submissions to be made by it at later hearings of the Commission.

Order in Council P.C. 6033, authorizes the Commission to "review and report upon the effect, if any, of economic, geographic or other disadvantages under which certain sections of Canada find themselves in relation to the various transportation services therein, and recommend what measures should be initiated in order that the national transportation policy may best serve the general economic well-being of all Canada." While the Board of Trade is interested in the succeeding powers granted under Clauses (b) to (f) inclusive of the Order in Council it regards them as merely incidental to the main power of the Commission.

The Board of Trade considers that the present sitting of the Commission should be regarded only as preliminary inasmuch as until enquiry has been made by the transportation experts of the Commission into the present factual situation, it is not possible for this Board of Trade or private citizens to make definite

submissions with regard to the economic, geographic or other disadvantages under which British Columbia suffers, or to suggest with any degree of assurance the measures which might be initiated in order to overcome those disadvantages.

Quite clearly, apart from the fact that a body such as the Vancouver Board of Trade, large though it may be, is not equipped to make such a factual study as has been indicated, the matters referred to affect the transportation situation throughout Canada and are not open to dispute. The Board feels that the present enquiry will not be furthered by mere sectional representations made without particular regard to the history of the present rate structure. We therefore request that before interested bodies are required to make detailed submissions the Commission institute a fact-finding study by its experts and that the report by such experts be made available to the Board which report will crystallize, at least in respect of the major questions heretofore in issue affecting transportation in Canada, the submissions made, the findings on such submissions and the resulting rates and the impact which experience in operation throughout the years has disclosed that such judgments on main issues have had on the general rate structure throughout Canada and particularly the effect of such findings on parts of Canada other than those which were initially thought to be affected by the judgments. If such a course be adopted a great deal of waste effort will be saved.

We deprecate the question as to the usefulness of this Commission implicit in the opening address to you at Ottawa of Mr. George A. Walker, K.C., Chairman of the Board

of the Canadian Pacific Railway Company, and particularly in that part of his address which refers to the mandate to the Board of Transport Commissioners to proceed with a general freight rate enquiry and to the sanctity of the present rate structure of which he speaks so highly. His counsel is the counsel of defeatism for if there is to be a continuance of the warfare which has been carried on in the past between the provinces and the transportation companies, broken as it has been only by periods of armistice, then the future of this western country and of the transportation companies is indeed uncertain.

We could not disagree more fully with him than we do when he states that the freight rate structure is not a hodge-podge and we suggest that when he refers to the recognized ability of the members of the Transport Board and its predecessor, the Railway Commission, who have been responsible for the decisions of the past as justifying the maintenance of the present rate structure, he has overlooked the fact that any code, no matter how able the law makers and no matter how valuable and appropriate the laws might have been at the time they were made, needs revision from time to time to co-ordinate its various parts and to bring it up to date with the changing times.

I might say there it seems to me it is of the very essence of the task of this Commission set out in the Order in Council that they be free to recommend even sweeping and fundamental changes in the legislation and in the rate structure.

In any event, apart from the natural need for revision, the haphazard growth of the rate structure in Canada has been due to the fact that such a wide discretion

has been left to the transportation companies resulting from the practice of granting flat percentage increases, and because that wide discretion under the ceilings fixed has often been exercised on considerations of expediency, on political considerations and often as a result of local pressure.

The Vancouver Board of Trade recognizes the responsibility which rests upon it that it should make before this Commission only such representations with regard to the British Columbia situation as "may serve the general economic well-being of all Canada."

We realize that the country can prosper only by the maintenance of our two great railway systems on a competitive basis (where competition is justified) with adequate financing and as a matter of principle from proper revenues to be obtained from the traffic they carry and not from government subsidized rates. We submit, however, that with reasonable provision for revenues goes a corresponding great responsibility upon the transportation companies to give up-to-date and efficient service with proper regard for economy in operation.

A realization of that responsibility should stay any effort by the transportation systems to seek through rate orders, that, which when the requirements of modern services and the burden on the public paying the transportation rates are disregarded, amounts to indirect subsidy.

NATIONAL POLICY

The construction of the Canadian Pacific Railway, as was stated in the submission of the Vancouver Board of Trade to the Board of Transport Commissioners on November 1,

1948, in connection with the case for the removal of the Mountain Differential, was an instrument of national policy - the objective of which was union coast-to-coast and a continuous rail route on the all-red trade route around the world. It may properly be said that the construction of the Canadian National Railway was encouraged and supported in pursuance of the same general policy and therefore it is of the greatest importance that it be borne in mind that all matters affecting these two great transportation systems, and of necessity the other forms of transportation which may compete with them and affect their welfare, and the welfare of the people of Canada transportation-wise, are matters of national concern. It is in that spirit that we make the submission herein contained.

BRITISH COLUMBIA'S POSITION IN GENERAL

In February of 1936, the Research Department of the Economic Council of British Columbia made a study of the Canadian Railway rate structure and its regional influence in British Columbia. In that study, the following summary appears: ".....British Columbia's shipments to eastern Canada are of a type that require relatively low freight rates to move them. On the other hand British Columbia's imports are of a type that can and do bear a relatively high freight charge. Therefore consumers in other parts of Canada pay the relatively low freight charges on shipments from British Columbia, but British Columbia must pay the relatively high freight charges on imports from eastern Canada.....In practice, then, British Columbia as a whole is expected to indirectly subsidize exports to eastern Canada, purchase a large portion of the manufactured

requirements from eastern Canada, and actually finds it necessary to sell the major portion of its own produce on world markets."

Generally speaking, the position as expressed in the last sentence of that summary exists as affecting British Columbia today

The geographic and economic disadvantages of British Columbia do not need much in the way of elaboration. The former are to be ascertained by glancing at the map of Canada; the others by an elementary study of the history of the country. These latter exist partly because of geographic position and partly because of the fact that our economy is that of a younger growth. This Board of Trade does not propose to dwell on those disadvantages save to the extent that they can and should be taken into account in the all-Canadian picture. The transportation difficulties are, in the main, those which naturally result from such disadvantages. It is not our purpose to present to you a purely sectional case or at this stage a detailed case but rather to indicate to you in a general way matters for your consideration.

GENERAL MATTERS FOR CONSIDERATION

Among other things to which it is submitted the Commission might particularly direct its attention and in respect of which we wish to reserve the right to make detailed submissions at future hearings of the Commission are such matters as:

A. BRITISH COLUMBIA'S LACK OF DEVELOPMENT

For your consideration is the fact that British Columbia is to a very large extent undeveloped and that the effect of freight costs is more severely felt by smaller

communities in the process of development than in the Provinces of Ontario, Quebec and Nova Scotia, where there are many small and medium-sized communities which throughout the years have had time to develop local industries able to distribute their products throughout Canada. Their ability to make such distribution has been largely due to the existence of favourable railway rates.

B. UNSOUNDNESS OF FLAT PERCENTAGE INCREASES.

The principle of granting to the transportation companies flat percentage increases is thoroughly unsound as, below the ceiling of such increases the transportation companies have arbitrary power of rate adjustment. By the manipulation of rate adjustments, the transportation companies may force industries to move from one part of Canada to another and in fact may destroy industries. As has been indicated, the result of the wide powers given to the transportation companies has been that the so-called rate structure has not followed any consistent or general plan but has been erected in accordance with such considerations as the local needs of the transportation system in different parts of Canada; unregulated local truck or water competition; the need of the companies for good will in different localities; and the view which the companies, from time to time, have taken of the wishes of the government in power in Canada.

Because of the interdependence of industries on each other, through such powers the transportation companies are given an unwarranted and excessive influence upon the national economy of Canada.

In the past, at rate hearings the transportation companies have considered it sufficient to prove general

prosperity in certain industries as warranting rate increases. Provision should be made whereby all such applications for freight rates affected by any change in the tariff will be gone into and evidence adduced to indicate how the increase in the rate will affect industry generally. In this connection regard should be had to the variable factors in different parts of the country and affecting different industries. The tendency in the past has been to localize the enquiry as affecting the specific industries which object to increases applied for and to the increases in which those industries are especially interested. It is important that on all rate applications the broad Canadian picture be considered, not only in support of the claim of the transportation companies but as affecting directly or indirectly the "well-being of all parts of Canada."

C. BASIC RATE SCALES FOR ALL CANADA.

Doubtless the Commission will consider the question as to whether or not there should be a basic class and a basic mileage railway rate scale for the whole of Canada as a step towards solving the present difficulties. The present basis for British Columbia, known as the Pacific scale, will be reduced to the Prairie scale by the removal of the so-called Mountain Differential, effective July 1, next. But the Prairie scale will still be generally the highest scale, with the Central Region (Ontario and Quebec) and the Atlantic Region (the Maritimes) enjoying lower scales. The Board at this stage is not prepared to make a definite submission in this connection.

D. EFFICIENCY OF AND ECONOMY IN OPERATION OF RAILWAYS

It is suggested that it should be borne in mind

throughout that the continuing stability of the financial position of the transportation systems should not depend on the matter of rate increases entirely but that they should be required to look for financial betterment as well to the extended services which they should give; the efficiency of their services in competition with other forms of transportation; to the efficiency of their internal management and operation, particularly in the matter of modernization, to bring them additional revenue. Wage scale increases before being granted should be subjected to severe scrutiny, having regard to other costs. It should be made clear to the transportation companies that it is not sufficient that under all circumstances in order to meet rising wage demands they need only apply for rate increases.

The following table of comparative costs indicates the disproportionate part that wage costs take in the general cost picture which affects rates. The figures for the period 1926-38 are free from the war and post-war factors which might be said to make the comparisons for the other periods unsafe.

Page 2702 follows

Mr. Norris

Gross earnings per train mile
Operating expenses per train mile

Wages of steam railway employees

Period	Actual Incr.	% Incr.	Actual Incr.	% Incr.	Period	Actual Incr.	% Incr.
1917-25	\$1.44	54.0	\$1.45	75.4	1913-24	86.4	86.4
1926-38	.37 (decr.)	8.56 (decr.)	.06	1.7	1925-38	17.9	9.6
1939-47	\$2.01	48.5	\$1.85	54.0	1939-47	42.3	42.3
					1913-38 - 1913	= 100	
					1939-47 - 1939	= 100	

Sources:

1917-39 Canada Year Book
1939-47 Statistics of Steam
Railways of Canada.

Sources

1913-38 Canada Year Book
1939-47 Canada Year Book

Iron and Its Products

Cost of coal per ton

Cost of living of wage earners (including food, fuel & light, rent, clothing & sundries)

Period	Actual Incr.	% Incr.	Period	Actual Incr.	% Incr.	Period	Actual Incr.	% Incr.
1913-25	35.6	51.6	1917-25	\$1.53	42.1	1914-25	40.1	50.3
1926-38	.4	.4	1926-38	.37	7.7	1926-38	19.6	16.0
1939-47	39.4	40.0	1939-47	\$2.63	61.8	1939-46	34.0	33.5
1913-47 - 1926 = 100					1935 - 39 = 100			

Sources

1913-47 Prices & Prices
index D.B.S.

Sources

1917-47 Statistics
of Steam
Railways of
Canada
D.B.S.

Sources

Labour Gazette Dept.
of Labour.

Referring to the table, Mr. Chairman, you will see from the middle set of figures, 1926 to 1938, that the percentage decrease in gross earnings per train mile was 8.56, and the percentage increase in operating expenses per train mile was 1.7, and the cost of iron increased, in the case of iron and its products, .4 per cent, and the cost of coal per ton showed a decrease of 7.7 per cent, and the cost of living showed a decrease of 16 per cent, and wages had been increased 9.6 per cent.

MR. EVANS: Q. Is that total wages or worked out on an average by employees?

A That was worked out, that 9.6 per cent --

Q Don't let me interrupt you.

A I will get that for you. It was sufficient for my purposes one way or the other. It shows the increase.

Some matters in respect of which there would appear to be room for improvement in efficiency of operation and opportunity for saving are detailed hereunder:

1. Necessity That Railways Effect Savings in Freight Car Transit Time

Under the present Canadian railway car demurrage rules, shippers and consignees are required to load and unload cars within a limited free time (generally forty-eight hours), after which demurrage charges and heavy penalties are assessed in respect of the excessive delay. On the other hand, where delays occur due to railway operation, carriers are not penalized in the same way. For example, if, due to inefficient operation, a car should take in transit ten or twelve days more than the normal transportation period, the cost of the loss of car use is treated as a normal operating cost by the railways and is

taken into account in fixing rates, and penalty is not assessed against the railway company in favour of the shipper or consignee to compensate him for his loss. It is cold consolation to the shipper or consignee to suggest that he has an action at law, for the burden of proof on him in many such cases would be almost insuperable. In this connection, it might be pointed out that the penalty on shippers in respect of demurrage for the year 1947 amounted to a total of \$3,773,196. - (D.B.S. Steam Railways Report 1947).

2. Economy in Car-Saving Space.

The practice of the railways of providing a sliding scale of lower rates for higher minimum loading is one that if developed might well produce savings for both the carrier and the user.

Examples:-

1. Canned Goods

To and From Pacific Coast
Points and Ontario Points
and Montreal

Tariff Reference	Car Minimum	Commodity Rate
Westbound 1 - H		
Eastbound 101 - G		
C.F.A.	40,000#	2.09 per C lbs.
	60,000#	1.33 per C lbs.

2. Rice
Vancouver and Victoria
to Prairie Points (as
shown)

Tariff	Car Minimum	to Prince Albert Commodity Rate
C.P.R.	24,000#	1.77 per C lbs.
W 160	40,000#	1.46 per C lbs.
	60,000#	1.38 per C lbs.

Many regular carload classification minimums range generally from 12 to 15 tons per car; whereas the capacity of the cars ranges generally from 40 to 50 tons. Shippers

would be encouraged to load more heavily if the general ratio of rates to load followed a constantly lower trend.

3. Pooling of Passenger Traffic

By co-operative action the Canadian National and Canadian Pacific Railways have made savings in various parts of Canada through joint operation of pool passenger trains, announcements, advertising, joint terminals and offices and so on. This matter should be thoroughly canvassed in order to ascertain whether or not greater development of such pooling would result in greater saving without interference with eservice.

4. Pooling of Freight Traffic.

While a saving has been effected by pooling of passenger services there has, apparently, been little or no provision for pooling of freight traffic. The details of such a pooling plan will require much study but we believe that it should be fully investigated and that in the result there would be a saving in carrying costs with an improvement in service.

The following comparison of the handling of freight shipments to Calgary and to Edmonton from Vancouver speaks for itself:

Example: (1) Shipment from Vancouver to Edmonton			
(A)	C.P.R. to Calgary	641.5 miles	
	Calgary to Edmonton	194.1 "	
	ACTUAL RAILWAY MILEAGE		835.6 mi.
(B)	C.N.R. to Edmonton (actual railway mileage)		<u>764.9 "</u>
	SAVING BY C.N.R.		70.7 mi.

Example: (2) Shipment from Vancouver to Calgary

(A)	C.N.R. to Edmonton	764.0 miles
	Edmonton to Calgary	<u>228.8</u> "
	ACTUAL RAILWAY MILEAGE	993.7 miles
(B)	C.P.R. to Calgary	
	(actual railway mileage)	<u>641.5</u> "
	SAVING BY C.P.R.	352.2 miles

We are not unmindful of the fact that ruling gradients should be taken into account in the foregoing comparisons.

E. MARITIME FREIGHT RATES ACT AND CROW'S NEST PASS AGREEMENT, SUBVENTIONS ON COAL, ETC.

The provisions of the Maritime Freight Rates Act have now been extended into the Province of Newfoundland. The following figures as to subsidies paid under the provisions of the Act are to be noted:

For the first fiscal year, 1927-28, the Dominion Government paid \$946,689.61 to Eastern Lines, Canadian National Railways, and \$406,774.84 to other railways, a total of \$1,353,464.45. For 1947-48 the Department of Transport Report shows the total paid Canadian National \$4,141,529.39 and the Canadian Pacific \$461,389.31 - the highest annual amounts yet paid. The over-all total between 1927-1948 fiscal years amounts to \$69,973,339.23.

A basic matter for careful consideration is as to whether or not special sectional subsidies and benefits such as exist under the Maritime Freight Rates Act and the Crow's Nest Pass agreement and subventions generally are for the general well-being of all Canada. In principle the Vancouver Board of Trade is opposed to sectional benefits which it is difficult to justify logically and which are always sources of discontent in parts of Canada

other than those not directly affected by such benefits - benefits for which it is difficult to make proper compensation in the all-Canada rate structure. In any event, the granting of such benefits by Statute is deprecated. It is submitted that all rates should be subject to review by the Board of Transport Commissioners.

In connection with the Crow's Nest Pass rates, it may be, of course, that the railways are getting more out of the rates than they should. On the other hand, it may be that grain is carried at a loss. Those, of course, are matters for consideration. We express no opinion on that. We simply say this is a matter which should be gone into, and we are opposed to statute-fixed rates.

Subvention assistance paid to Canadian railways on Alberta and British Columbia Crow's Nest coal moved to Ontario during the last three fiscal years was as follows:

<u>Fiscal Year</u>	<u>Amount</u>	<u>Rate Per tTon</u>
1946-47	\$775,897.65	\$ 2.50
1947-48	422,404.59	2.50
1948-49	538,280.33	2.50

Source - Dominion Coal Board.

Our position there is that if it is necessary to subsidize an industry the subsidy should be given directly, and it should not be through rates.

F. TRUCK AND BUS-COMPELLED RATES

In British Columbia there is effective regulation of bus and truck operation under the Public Utilities Commission. There does not exist in British Columbia the same degree of competition in trucking operations which exists in some of the eastern provinces. As a consequence the basis of truck-compelled rates throughout Canada is not

constant. It is realized that railway transportation rates should be adjusted to meet competition, but it is submitted that the compelling rate should first be fixed as a fair competitive rate before it is used as a basis on which the railways should set their corresponding rates. This again brings into perspective the danger of fixing high percentage increases below which there may exist rate adjustment practices which are unsound.

G. DISCRIMINATION IN PASSENGER FARES AGAINST BRITISH COLUMBIA.

It is submitted that this Commission should consider the discrimination against British Columbia in respect of rail passenger fares. Such fares for this province are higher than similar rates east of Calgary.

Prior to May 11, 1949, the first class rate east of Calgary was 3.45 cents per mile and 4 cents west of Calgary. After the Transportation Tax of 15 per cent was taken off by the Dominion Government these rates were increased to 4 cents and 4½ cents respectively. A table giving the above First Class fares, and Coach fares, is noted below:

	<u>Effective May 11</u>	<u>Formerly</u>
1st Class	4¢ Mileage East of Calgary	3.45¢ a mile
	4½¢ " West of Calgary	4¢ "
	<u>Effective April 10</u>	
Coach	3½¢ Mileage East of Calgary	3¢ "
	4¢ " West of Calgary	3.478¢ "

It would appear reasonable that in view of the elimination of the Mountain Differential on freight rates, effective July 1st, that a provision for equalized passenger rates would also be in order.

H. IMPORTANCE OF SEPARATE ACCOUNTING IN RESPECT OF
VARIOUS ACTIVITIES OF RAILWAYS.

Rightly or wrongly, the confidence of the people in the efficiency in operation of the Canadian railways has been badly shaken. In order that such confidence may be re-established and maintained, the transportation companies should make it abundantly clear that their accounts do, in fact, make a complete and full disclosure of their operations in the respective fields of endeavour. It should be possible to show in simple terms and separately in respect of rail and water transportation and hotel activities and other services such as telegraph, express, motor traffic and ancillary services, the full picture of revenue and expenditure, profit and loss, and assets and liabilities (including at their true value the grants from all sources), and such accounts should be available for inspection by members of the public at reasonable times.

CONCLUSION

In conclusion, may we emphasize the importance which we attach to the work of this Commission and our hope that its findings will end or at least alleviate the asperities which have heretofore been attendant on rate hearings and which have been so upsetting not only to business in general, which requires a reasonable measure of stability in the cost of operation), but equally to the transportation companies who admittedly, as matters have stood heretofore, have not been in a position to make long term plans. Because of the importance we attach to your studies we have emphasized the necessity that a factual study should be made of previous

submissions on rate hearings and the findings thereon and the impact of such findings on the various parts of Canada so that, the all-Canadian picture having been clarified, representations may be made that will not be haphazard but may be directed to remedying the inequalities and disadvantages which will then have been made apparent.

Page 2715 follows

We hope that this preliminary submission will be of some assistance to the Commission and that we will have an opportunity of making such further submissions as we may consider warranted after the results of the factual study referred to have been made available to us.

May we again express our appreciation for the opportunity of making this presentation to you and particularly for the opportunity of making it to you in Vancouver and for the patience and courtesy you have shown in connection with our submission.

Respectfully submitted,

Mr. Evans, those comparisons are of total figures.

CROSS EXAMINATION BY MR. EVANS

MR. EVANS: Q Yes; and while we are on that, I suppose it follows that it might or might not be due to the changes in the rates of pay.

THE CHAIRMAN: What was that?

MR. EVANS: We were speaking of this question of the tables, and the percentage by which the wages increased during the period - I think the second of the three lines in the table, Mr Chairman.

MR. EVANS: Q I suppose it follows, Mr Norris, that an increase in the absolute amount of wages paid is not always due to an increase in the rates of pay, because there would be a number of factors which might affect it?

A The wage scale.

Q But it might not be the wage scale; it might be the amount of work done or any one of a number of factors?

A I do not know that

Q If you pay \$100 in wages in one month more than you paid the previous month, that does not necessarily mean that you have increased the rate of pay, does it?

A But that table is not built up on that basis.

Q There may be a number of factors which account for it?

A Yes I suppose there is a whole lot of factors. Would you now turn to page 2, please?

Q And in the paragraph beginning:

"We deprecate...."?

A Oh yes.

Q. There are three things there that you seem to deprecate?

A. There are probably a number of things.

Q. But in that paragraph there are three?

A Yes.

Q And the first thing you deprecate is, that there was implicit in Mr. Walker's address a challenge to the usefulness of this Commission. Will you please tell me where you find that in his address?

A When I read Mr. Walker's address I came to the conclusion that Mr. Walker had had a bad breakfast. That was the general impression that I gathered from reading it.

Q But would you mind pointing to the transcript and tell me where you find Mr. Walker challenging the usefulness of this Commission? I suggest to you that he did exactly the reverse?

A I would say this, first of all: I came to the conclusion when I read Mr. Walker's address, that Mr. Walker should have consulted his lawyer before he made that statement.

And then, I thought: He, certainly has not talked to Mr. Evans about it.

Q. Did you know that Mr. Walker is himself a lawyer?

I can see that.

Q. And a lawyer of very considerable prominence.

A Yes. But you are his lawyer. He is chairman of the Board.

Q. Would you point to something in that address which suggests that the work of this Commission is not going to perform a useful purpose?

A Yes, yes. I shall read from the report. Have you got it in front of you?

Q. Yes I have.

A. Well, if you will look about one third of the way down you will see:

"The freight rate structure of Canada upon which the Railways primarily depend for their revenues, since passenger traffic is relatively unremunerative, is by no means the hodge podge born of accident or expediency which it is so often said to be. It has been regulated for the past 46 years by an independent tribunal presided over by a great many men of outstanding ability whose judgments command respect and are consistent alike with reason and with the decisions of similar tribunals throughout the English speaking world. Those decisions, we suggest, will not likely be disregarded by the Commission.

One of the main purposes leading to the establishment of that tribunal, originally the Board of Railway Commissioners, now the Board of Transport Commissioners

for Canada, was the removal of the whole problem of Railway rate regulation from the field of political controversy. That objective, important as it was in 1903, is of no less importance today, and will not I feel sure, be lost sight of in your considerations. "

Mr. Walker is saying right there: Here we have these wonderful judgments of the Board throughout the years; and here we have this Commission set up because of some political pressure or something of that sort.

Q Where does he say that?

1. "One of the main purposes... . Do you want me to read it all over again?

Q No.

A I have just read it to you. It is right there. It is implicit. He says this:

"One of the main purposes leading to the establishment of that tribunal, originally the Board of Railway Commissioners now the Board of Transport Commissioners for Canada, was the removal of the whole problem of railway rate regulation from the field of political controversy "

Q. and you know that that ^{was} true, do you not?

A. Yes.

That objective, important as it was in 1903 is of no less importance today, and will not, I feel sure, be lost sight of in your considerations "

Why should he talk about that? Is he not suggesting to this Commission right there; Watch out for politics in this thing?

Q Have you read the C nadian Pacific submission?

1 hich submission?

Q The submission to this Commission?

A No.

Q Perhaps if you read it you might understand what he was referring to?

A. I am talking about Mr. Walker, his opening address.

Q. But if you read the Canadian Pacific submission you would then understand what Mr. Walker was referring to

A. I am now talking about Mr. Walker and what he said in his opening address. I must take it that he meant exactly what he said. I shall now go to the last paragraph which reads:

"I only desire to add that as the Commission is undoubtedly aware, the Board of Transport Commissioners is also under a mandate from the government to proceed with a general freight rate inquiry, scarcely distinguishable in some aspects from the inquiry your Commission has been directed to undertake. Our hope is that duplication may be avoided both in the scope of these inquiries and in the hearings of the two tribunals. Subject to that consideration our officers will be at your service and no effort will be spared to assist the Commission in reaching sound and fair recommendations."

When I read that I can only come to the conclusion that he was saying: First of all, there have been these hearings by the Board of Transport Commissioners throughout the years and we should stay with that and nothing else.

Q Where does he say that: That we ought to stay with that and nothing else?

He says:

"Those decisions we suggest, will not lightly be disregarded by the Commission."

Q. But isn't that a practice which you, as a lawyer, follow pretty regularly?

A I do not think it was necessary for him to say that. Then he goes on to talk about a political controversy. Why should he drag that in here? I do not know. Then he goes on, and at the end he says that the Board of Transport Commissioners is doing exactly what this Commission is doing. What does he mean by saying that?

Q. Might I suggest that, when he spoke of political controversy, he was referring to section 51, subsection 1, of the Railway Act. Did you know about that?

A No.

Q. There is a section in the Railway Act by which there is political appeal and we are asking this Commission to remove that section. That is what Mr. Walker had reference to. And I suggest to you, that as a lawyer, you might have considered the submission made by the Company, rather than to put those words into Mr. Walker's mouth.

A. No. I took Mr. Walker to mean exactly what he said. I take it that a learned counsel always means what he says.

THE CHAIRMAN: What section are you referring to?

MR. EVANS: Section 52, subsection 1, Mr. Chairman.

THE WITNESS: This was a caveat to this Commission, this whole thing; and the statement that it doesn't matter very much what you do, because we already have a Board of Transport Commissioners which carry on. Isn't that what he was saying?

MR. EVANS: Q. That is a very clever answer, Mr. Norris.

A. Thank you, Mr. Evans.

Q. And when you deprecate Mr. Walker's reference to the mandate ^{to the} Board, do you deprecate his statement of fact that there has been a mandate given to the Board?

A. I didn't say that.

Q. Then what did you say?

A. You read it. I mean what I say.

Q. Perhaps you would prefer not to be cross-examined, Mr. Norris?

A. Not a bit!

Q. Then, would you care to answer my questions, please.

THE CHAIRMAN: What is the question?

MR. EVANS: I asked him, and he says he deprecates the reference to the mandate to the Board re a general freight inquiry.

THE WITNESS: I did not say that at all. You did not read it.

MR. EVANS: Q. I am only asking you what you say.

A. I say it is right here, and I say you are not reading it. Look through your glasses.

MR. EVANS: I think perhaps it would be preferable if I did not continue to cross examine this witness.

THE CHAIRMAN: Mr. O'Donnell?

CROSS EXAMINATION BY MR. O'DONNELL

MR. O'DONNELL: Q. Mr. Norris, at page 5 of your brief you have a heading entitled "General Matters for Consideration"; and heading "A" reads "British Columbia's lack of development."

You say in the next line:

"For your consideration is the fact that British Columbia is to a very large extent undeveloped....."

A. I do not blame the railways for that.

Q. Isn't that more or less true of any province in Canada that you can think of?

A. No, no. There is more development in some than in others.

Q. But isn't that true, for instance, of Quebec, with the large hinterland in northern Quebec, the Abitibi, and the south shore, to Gaspe?

A. Probably more centres of population, you see.

Q. Naturally. Quebec is a little older part of the country.

A. It has a little older growth.

Q. And likewise Ontario, which has large areas of older growth?

A. Yes.

Q. Which are still in the process of being developed today?

A. Yes.

Q. Just as British Columbia has areas which are in the process of being developed?

A. That is right.

Q. And I take it that we could say that Alberta has a few acres which are still open, if people can buy the odd oil concession, and things of that kind?

A. Yes.

Q. And through the years no matter what you may find in connection with the freight rate structure, the products of British Columbia have been carried to the markets by the Railways?

A. That is true.

Q. And through the carriage of those products to the

markets, British Columbia has developed, to a certain extent, has it not?

A. Oh, yes.

Q. And is not that extent such that we can say that it has developed more rapidly, possibly, than any province in the Dominion of Canada?

A. More rapidly in than any province in Canada?

Q. Yes, generally speaking; I think that is a fair statement to make?

A. I do not know if I can go with you that far, Mr. O'Donnell. I think it has developed rapidly; it has had its periods of development, and its periods when it did not develop so well.

Q. It has developed very considerably, let us say, in the last 70 to 80 years?

A. That is right. Perhaps we might help: Where a territory develops, competition develops, rates are reduced, competitive rates are reduced. I think that is a fair statement, too.

Q. I am not concerned about rates at the moment. I am trying to find out what the situation is here?

A. Our development here is partly due to our location by the sea, with a big port, and so on, and all those things. I will agree that I am simply saying there that we are a new country.

Q. I agree with you entirely; and I submit to you that any province in Canada would include, to a certain extent, areas, a lot of which are not opened up yet?

A. Some include more developed centres.

Q. That is right, in some cases.

A. And therefore they have an advantage over us. You

see, advantage brings advantage, just as wealth brings wealth, and all those things.

Q. And you are now in the process of growing, developing, and enlarging. Your production has gone up very extensively, has it not?

A. We would like to grow a little more quickly.

Q. That is so, but I would just indicate to you that the progress has taken place in British Columbia since the railways came into British Columbia, has it not?

A. Yes, that is why the Canadian Pacific Railway was built.

Q. Surely.

MR. O'DONNELL: Mr. Chairman, it occurred to me at this point that it might be well to have on the record an extract from some official document of the province. So I submit the Budget Speech of the Honourable Herbert Anscomb, delivered on February 25, 1949; and at page 54 appears the following under the heading "British Columbia's position in the national economy". I thought it might save time if I just put this on the record:

"As a historical event, British Columbia's entry into Confederation can be but viewed as a recent occurrence. Yet, in less than eighty years, a population of 36,000 has grown to 1,082,000. Vancouver, which did not exist as a city in 1871, today has a population estimated to exceed 370,000; and Victoria, with a population of 3,270 in 1871, is now represented by Greater Victoria with over 100,000 in population. In this brief period, the total ratio of British Columbia's population to that of the Dominion has risen from 1 per cent to nearly 9 per cent. In 1871 there were no industries of any size in this province; today British Columbia is the third largest producer in the Dominion.

MR. O'DONNELL: Q. Mr. Norris, I suppose that the influx in population is due, in no small measure, to your favorable climate which prevails here for a considerable part of the year?

A. Yes.

Q. And people flock here from the Prairies?

A. Yes, and even from Montreal!

Q. Yes, even from Montreal, because British Columbia is recognized as being a very favorable place in which to live.

Now, on the next page or two, in the same document, page 56 under the heading "Business Conditions in British Columbia", appears the following:

"Preliminary statistics indicate British Columbia's pay-roll reached an all-time high during 1948, surpassing the previous high established in 1947. Both the retail and wholesale sales indexes continued to rise during 1948, with the retail index reaching approximately 280, and the wholesale index being about 340. It might be mentioned that both of these series have shown a tendency to level off in the last few months of the year. Sales of life insurance - indicating saving - have shown a slight decrease, possibly indicating a greater volume of consumer goods available. The population has shown a steady increase, reaching 1,082,000 in 1948.

The net value of production, which includes both the primary and secondary stages, continued upward, reaching a new high in 1947, and present indications are that a further substantial increase will be shown for 1948. The cost factors of production have continued to rise;

wages and rents have increased a moderately; and wholesale and retail price indexes continued to climb at a rapid rate, with signs of slackening toward the end of the year. Bank debits, in part reflecting rising prices, speculative activity, etc., have risen steadily, but at a slightly slower rate than in 1947. Power consumption has shown a large increase, reflecting the increased industrial activity in British Columbia.

Practically all of the important business indicators reached new peaks in 1948, and showed that British Columbia's economy is operating at a new all-time high. There has been little doubt as to the prevailing high level of activity during 1948, as production, employment, and pay-rolls continued to show gains over 1947. Production in some lines seems to have satisfied effective demand, and consumer spending is giving signs of tightening, although the general level is still higher than last year. While the dollar value of retail sales has increased in 1947, the volume of sales is lower in certain fields - namely, men's clothing, family clothing, and shoes - inventories seem to be climbing faster in these business groups than sales.

The outlook for 1949 is favorable, as money income continues to grow and the rate of business spending is still very high. Notwithstanding the indications that the rate of economic activity is tending to slow down, the over-all volume of activity in British Columbia

for 1949 should continue at a high level, and it is hoped will equal that of 1948."

A. That is his 1949 speech.

Q. Yes, it was the latest one available.

A. It should be remembered that that should be conditioned by two things: (A) That he was conditioning the people for some taxation, and he was also conditioning them for an election.

Q. (B) And he was certainly indicating to them that they might be able to pay more taxation because they were so prosperous, and because things were going so well.

A. And he was conditioning them for an election, too.

Q. And I understand he was successful in both of those aims, was he not?

A. Yes.

Q. And at page 57:

" NET VALUE OF PRODUCTION IN BRITISH COLUMBIA
Years 1946, 1947, and 1948
(Dominion Bureau of Statistics Data)

1946 (final).....	\$591,478,855
1947 (estimate).....	775,000,000
1948 (estimate).....	875,000,000

That is why I read all these figures, because it occurred to me that you might be willing to go along with me in the suggestion that British Columbia had certainly gone ahead very rapidly?

A. Yes.

Q. Now just one other official publication of the province. I might suggest that Mr. Brazier provide copies of this, as an exhibit; it is the Report of the Department of Trade and Industry, for the year ending December 31, 1948.

MR. BRAZIER: Mr. Chairman, might I suggest, that in view of the rather lengthy extract which has been read from it, the Commission might wish to have the "Budget Speech" filed as an exhibit. If so, I will be happy to obtain the necessary copies and place them on file.

MR. O'DONNELL: That will be fine.

MR. COVERT: If you are going to do that, then might we not call the Budget Speech exhibit 35 and the Report of the Department of Trade and Industry for the year ending December 31, 1948" exhibit 36?

MR. O'DONNELL: The Budget Speech will be exhibit 35 and the Report of the Department of Trade and Industry for the year ending December 31, 1948, will be exhibit 36.

EXHIBIT 35: Budget Speech of the Hon. Herbert Anscomb, delivered Feb. 25, 1949.

EXHIBIT 36: Report of the Department of Trade and Industry for the year ending Dec. 31, 1948.

MR. BRAZIER: Mr. Chairman, I am not sure that I shall be able to have them here before our sittings close in Vancouver, but I shall see that they are forward to you immediately upon receipt.

THE CHAIRMAN: Very well.

MR. O'DONNELL: Q. At page DD-26 under the heading of "Review of Business Activity in British Columbia" in the Report of the Department of Trade and Industry, it reads:

"While final statistics are not yet available, preliminary statistics indicate that British Columbia's economy is running at a new all-time high. Business activity in all phases of British Columbia industry has shown increases, with the value of production in all four basic industries expected to reach new highs in 1948. Pressure of production continues to dominate the British Columbia scene and productive capacity is attempting to meet this demand occasioned by a high level of purchasing power."

The four basic industries referred to are agriculture, forestry, mining and fisheries. And inasmuch as the report is now to be an exhibit, I think the Commission would be interested if they turned to page DD-24 and DD-25, where there is an array of graphs showing the progress which has been made. And I would like to direct attention to DD-6 where there is a graph showing the progress since 1920 right through the years to 1948.

In 1920 the production, in millions of dollars in British Columbia's primary industry, was \$150,000,000; and it dropped to a low, in 1932, of \$110,000,000, I imagine, in that area; and now, in 1948 it has gone to a high of approximately \$650,000,000.

Q. That is why I was at a slight loss, Mr. Norris, to understand why you people here really felt that you had not developed quite as much as I thought you had, reading from these official documents?

A. Yes; all right.

Q. Would you be good enough just to go on to page 5 ---

A. Just on that "A", Mr. O'Donnell, you remember, of course, that the mountain differential was there during that period.

Q. Yes; that draws my attention to something. I forgot to mention this fact, that it should be remembered that in the 1948 figures which I mentioned as having come from page DD-26, in 1948 for nine months the 21 per cent increase was in effect, and in the interval, as Mr. Norris says, the mountain differential has been removed, but, notwithstanding that the 21 per cent increase was in effect, the unretarded development was such as is set out ---

A. A lot of pioneering people here, too, hardy people.

Q. I know that --- good people. At page 5 again, Mr. Norris, there is another heading, "Unsoundness of Flat Percentage Increases":

A. Yes.

Q. I take it that you are aware of the fact that increases of that kind have been resorted to not only in our own country but in the United States?

A. Yes.

Q. And in England

A.I understand so.

Q. I don't know whether you have any more practical way of doing things, but it has been found -- have you any suggestion of anything more practical?

A. No, I simply put it forward as a matter of principle. I say here is a great deal of power given to these corporations and they can do certain things, and it leads to a rate structure that is all distorted.

Q. But you agree with me that ---

THE CHAIRMAN: Mr. O'Donnell, you started to say, "It has been found".

MR. O'DONNELL: Q. That that was a practical way of handling a situation whereby railways had to be given added revenues, and that the practical way of doing it was to allow a general increase, a percentage increase, on all commodities or on all rates, with whatever exceptions the regulatory bodies might see fit to make, but that, generally speaking, that method of according relief to railways, which have had to face over different periods mounting costs of operation, was the method adopted not only in Canada but also in the United States and in Great Britain.

A. I don't know as to that, Mr. O'Donnell.

MR. FRAWLEY: Mr. O'Donnell will of course recall to the Commission's attention the fact that in the United States many, many exceptions were made.

MR. O'DONNELL: I mentioned exceptions.

MR. FRAWLEY: And maxima were applied to the percentage increase in the case of certain basis commodities, and I understand on long hauls.

THE CHAIRMAN: That is the very point I was going to ask you, whether the distance was taken into account.

MR. FRAWLEY: Yes; I would like to look at that very particularly. Your lordship will find at the end of the last judgment of the I.C.C. a long table of exceptions as to certain commodities, certainly as to certain commodities, and I will look more carefully to see to what extent there were any exceptions made as to the long haul. Perhaps my friend Mr. Sinclair is more familiar with that.

MR. SINCLAIR: It was done on the application of the railroads, sir. That was the way their application went in.

THE CHAIRMAN: You are talking now of the United States?

MR. SINCLAIR: The United States; and there have been percentage increases without exception in the United States rate history, just as there have been in Canada, and I will be prepared during one of the later briefs ---

THE CHAIRMAN: You say just as in Canada; do you mean regardless of distance?

MR. SINCLAIR: Well, in Canada in some cases there were maxima, percentage maxima, and cents per hundred pounds maxima, but also in the United States that has been true, as Mr. Frawley said; but in the United States, just as in Canada, there have been straight percentage increases. In these increases where there have been limits or maxima put on the application, the rate increase, that was on application by the railways and stated in their applications, and for particular reasons existing in the United States of the competitive condition existing between a number of

short roads. I think that a study of a number of those decisions will show that.

THE CHAIRMAN: A number of short roads

MR. SINCLAIR: Short roads, yes. That matter was all argued before the Board on more than one occasion.

MR. O'DONNELL: My lord, if it would interest the Commission -- and I am sure they will have the information -- I have here copies of the I.C.C. judgments, and they are well known -- I agree with Mr. Frawley -- there are, as I said, and I said with certain exceptions, that the percentage increase method of according increases to the railways had been resorted to not only in Canada but in the United States and in England. Incidentally, in England, my information is, there were three percentage increases in the last ^{few} years totalling 55 per cent. We have had one increase of 21 per cent in 27 years. In the United States there were the following percentage increases, from the 1st of July, 1922, totalling 70.2 per cent accumulated increases:

INCREASES IN UNITED STATES SUBSEQUENT TO JULY 1, 1922

<u>Date</u>	<u>Ex Parte</u>	<u>Average Increase</u>	<u>Cumulative Increase</u>
April 1935	115	5.0	5.0
March 28, 1938	123	7.5	12.9
July 1, 1946	148	6.0	19.7
Jan. 1, 1947	162	(1) 11.6	32.8
Oct. 13, 1947	166	8.9	44.6
Jan. 5, 1948	166	(2) 8.0	55.2
May 6, 1948	166	(2) 4.2	60.8
Aug. 21, 1948	166	(3) 1.0	62.1
Jan. 11, 1949	168	5.0	70.2

THE WITNESS: Mr. O'Donnell, may I ask here, is it suggested, because all those increases have been made, that the principle is sound?

MR. O'DONNELL: Well, I am just putting on the record the fact that that is the way it has been done.

THE CHAIRMAN: Are you using the words "ex-parte"?

MR. O'DONNELL: Ex parte. The cases are headed "Interstate Commerce Commission ex parte No.162, 168," and so on. That is the way they designate the case.

THE CHAIRMAN: Does that mean that the applications were not opposed?

MR. FRAWLEY: They start out ex parte.

MR. O'DONNELL: Oh, no, that is merely the case heading. They were very strenuously opposed, and the judgment sets out the number of people there. There are pages of persons who appeared and contested. Ex parte 162 has four and a half pages of persons contesting.

THE CHAIRMAN: I was wondering what the expression "ex parte" meant.

MR. O'DONNELL: That is the way the I.C.C. records an application; they give it a number, and the number is designated. For instance, 162 is ex-parte 162, increased rates, fares and charges, 1946, and then right under that is ex parte No. 148, increased railways rates, fares and charges, 1942, referring to the earlier case, and they have this continuing control whereby they carry them along one with the other. Now, in our own case, in the case of Canada, we have had percentage increases in 1917, 1918, 1920, there were percentage reductions in 1921 and 1922, and in the last case that Mr. Frawley

referred to, where the I.C.C. made certain exceptions, I have merely the mimeographed print of that case. The one that I have is the judgment which was given on the 29th of December, 1948, and there the Board on examination would find -- I will be glad to get copies of these.

MR. FRAWLEY: It is all available now in print.

MR. O'DONNELL: Yes. I have not got the I.C.C. report number handy here, but, as Mr. Frawley says, they appear in the I.C.C. reports. The Board would find there that there were percentage increases, for instance within the eastern territory 6 per cent in this last judgment, within the southern territory 6 per cent, within zone 1 of the Western Trunk Line territory, 5 per cent, within western territory other than zone 1 of the Western Trunk Line territory 4 per cent, and so on, and then there were a number of exceptions and specific provisions, no question about that. But I merely would ask -- and I think Mr. Norris gave me the answer -- the Board of Trade here has no suggestion to make as to a more efficient manner of handling the situation than that which has prevailed, that is, the percentage ---

THE WITNESS: We say the principle is bad. Then we say that this Commission with its experts should, we think, with respect, go into it, and we, of course, as the hearings progress may have something more to say on it; I don't know.

MR. O'DONNELL: Q. You say the principle is bad, but you haven't any other suggestion to make at this time?

A. At this moment.

Q. I understand. And why would you say that the principle is bad?

A. Well, I would say that the principle of putting power of that sort into the hands of anybody is very bad, where they can affect the economy of a district, one district in Canada, to the advantage of another district, and so on. It is a terrific power, you know.

Q. But, on the other hand, you agree that it is a ceiling, the rate as fixed by the Board, a maximum rate?

A. I am speaking of what happens below that ceiling.

Q. Well, you would wish, would you not, to allow shippers and consignees and consumers to be able to deal with the railways concerning specific rates:

A. To some extent. I think there should be some check, and at the moment I have not sorted out the answer, but I do say this, that there is all sorts of pressure, I know that pressure is brought on the railways for rates, and that the railways in some cases -- I do not blame them particularly for it, but because they needed good will in a business, needed business in a district, have given way to that pressure. That must distort your picture.

Q. But so long as that is done under the ceiling and so long as the just and reasonable rate is fixed, does it make any difference?

A. Surely it makes a difference, because it makes a difference as between parts of Canada.

Q. I see.

A. And it distorts your whole rate picture.

Q. Just one other question on this same paragraph on page 5. You say in the bottom line:

"By the manipulation of rate adjustments,
the transportation companies may force industries to
move from one part of Canada to another and in fact

may destroy industries.

Now, would you say that industries had been forced by the railways to move from other provinces into British Columbia?

A. I don't know, but I would say this, Mr. O'Donnell, that in cases where the railways have had a great deal of power they have favoured one district where they had perhaps a great deal of investment, a great deal of interest, they have favoured a district as against other districts.

Q. Well, would you say that they had favoured British Columbia?

A. Districts; I am speaking of districts in British Columbia.

Q. Well, maybe you haven't looked it up -- I don't know -- but could you mention one industry which the railways had forced say to move from another province into British Columbia?

A. Well, I might give you that after discovery, so to speak.

Q. And on the other hand could you mention any that had been forced to move out of British Columbia into another province?

A. Let me put it this way: I could mention, if you want instances, the great railway pressure at one stage in the history of this province in favour of the City of Vernon as against the City of Kelowna.

Q. Well, they have active boards of trade in both those cities, and they are both trying to get their respective cities developed?

A. Oh, no -- well, they may have, but I say they

are subject to that pressure.

Q. Well, would they be changed under any system of rate-making that you could think of? Would not the very progressive and aggressive people in the boards of trade in each community want to have their own community developed, and put on such pressure as you refer to?

A. Let me put it this way: I have known a case in which the railways bitterly argued for certain increases, certain changes in the rate structure, on the ground that if they did not get them the railways would have a very bad time and so on, and then the very next year, when the industry has gone to the railway company with its hat in its hand those concessions have been given.

Q. Have you any specific ones in mind?

A. Well, if you will remember ---

Q. You are aware, I take it, Mr. Norris, of the fact that if there is discrimination, unjust discrimination, those who are discriminated against can have recourse to the Board?

THE CHAIRMAN: Mr. O'Donnell, you asked Mr. Norris if he had any specific cases in mind, and I would like to hear the answer.

THE WITNESS: This is the general story of concessions given because of pressure, I take it, Mr. Chairman. That is the sort of thing I am talking about -- things that would distort the rate picture. In 1931 -- I think it was 1931 -- an application was made in the Okanagan for an amendment to Canadian Freight Classification No. 18, and the ---

MR. O'DONNELL: Q. By whom was the application made?

A. The application was made by the Canadian Freight Association.

THE CHAIRMAN: Q. By whom?

A. The Canadian Freight Association. The application then was to advance the rate on apples in bulk for consumption in the fresh state from the 8th class to the 5th class; that is really what it amounted to. Now, on that application it was argued very strenuously that that change was vitally necessary to the railway, and at that time the Railway Board saw fit to grant the change. I think it was the next year or the year after -- within a very short time; I can perhaps get the dates and so on -- within a very short time the fruit industry was able to get concessions in respect of that very matter, which the railways had so strenuously urged was vital to their carrying on or was a vital matter to them.

Q. Well, I suppose representations were made to the railways by the industry?

A. Yes.

Q. Saying that there should be a change

A. Yes, surely.

Q. And it may have been in the interests of both parties that there should be one?

A. Yes, sure.

Q. But in all cases those changes of classifications have to be approved by the Board:

A. Yes.

Q. And the Board would have gone into the matter and approved it or disapproved it?

A. No; I think a commodity rate was fixed in that case.

Q. Oh, well, that is something else; we are talking about a change in classification.

A. No, I am not talking about a change in classification.

Q. Well, that is what I understood you to say, that in 1931 the C.F.A. Classification No. 18 was amended.

A. This was a change in classification, yes, that is true.

Q. I merely suggest to you that any such change would have had to have the approval of the Board?

A. But there was no change in classification.

Q. Then you are talking of another matter?

A. I am talking about concessions obtained from the railways under the class rate.

Q. You mean by the institution of commodity rates

A. Commodity rates.

Q. At the request of some shipper?

A. Surely.

Q. To help the shipper?

A. Surely.

Q. Do you object to that kind of co-operation on the part of the railways with the shippers?

A. Well, that is governed by all sorts of things -- by the pressure that may be brought by one particular industry.

Q. But so long as all that is done under the ceiling of the just and reasonable rate, is it not in the interests of business that there should be flexibility and freedom of action?

A. Well, I disagree with the proposition of flexibility to that extent.

Q. Now, would you go to the extent that we heard one witness suggest to the Commissioners the other day, and that is that all commodity rates, all competitive rates, should be approved by the Board before they could accorded to the shippers

A. I am not a rate expert, Mr. O'Donnell, and I would not and do not think a thing of that sort would be feasible, but I think there is something ---

Q. You do not think that would be feasible?

A. I doubt if it would be feasible.

Q. I thought that your members would not consider that feasible.

A. No, but I do say, though, that there is room for adjustments, and adjustments which do distort the general rate picture and the principles ---

THE CHAIRMAN: Q. Then should that room be removed? That is the point.

A. Pardon me, Mr. Chairman?

Q. Should that be done away with? Should there be no room for any concession?

A. I do not think you can make a thing as cast iron as that, but I do think that it is too broad, you see. I think the discretion given to the railways is not hedged in sufficiently by safeguards. All sorts of pressure is brought to bear on the railways in respect of these matters by local industries.

MR. O'DONNELL: Q. Well, isn't that, Mr. Norris, characteristic of any trade or any industry?

A. Surely it is.

Q. A buyer and a seller always have their respective two positions and a conflict of interest, and the one is

trying to get a little bit better deal from the other:

A. Who is the buyer and who is the seller?

Q. The shippers in this instance are the buyers of transportation.

A. You are speaking of the shippers and the railway company

Q. Yes; I am simply saying there is no difference in the railway situation in transportation than in any other industry?

A. Oh, yes, there is a terrific difference because the railways ---

Q. Other than the regulation by the Board in the first instance:

A. Well, but the railways have terrific powers, and they are almost a semipublic institution.

Q. Well, they have powers.

A. It is not purely buying and selling; then you would not have any Railway Board.

Q. No, but the Railway Board is there, as you understand, I am sure, to see to it that there is in each instance for every bit of transportation a just and reasonable rate fixed.

A. Yes, but look around this room, and do you see the proprietor of a small industry whose business is being affected gradually by the rates against him? Do you see him coming here before this Commission, or before the Transport Board, and effectually, when you gentlemen come out here from the east, you and Mr. Evans and all of you -- what opportunity has he. I am speaking of the single man with a business who is affected, and this creeps up on him gradually, it affects him this year and next year

and next year, and he is affected by these changes and he has a terrific time. It is almost an insuperable task for him to come here and argue his case before the Transport Board.

Q. Well, there is nothing to prevent him coming, is there? He has been invited by public notice to come, and in Edmonton, as I remember ---

A. And he is met here by the railway counsel.

Q. People who talk with him and chat with him?

A. Sure. You are the most pleasant people I know, you see, but at the same time you do your job, and you have your statisticians and so on, and this little fellow comes in and he doesn't get to first base.

Q. Then he has Mr. Covert and all the statisticians of the Commission to see that his case is presented properly.

A. Mr. Covert is not here in a case of that sort.

THE CHAIRMAN: Q. Can you suggest anything, Mr. Norris, to better such a condition?

A. Well, Mr. Chairman, I have suggested, and it is implicit throughout this brief, that perhaps at a little later stage we might be given an opportunity of remedying that. This is all preliminary, and I have opened the subject.

MR. O'DONNELL: Q. But you were not aware of the fact that at other sittings of the Commission small people did come and did make their representations?

A. You see, I am talking about the Transport Board.

Q. I see; not this Commission

A. No; I am speaking about the small man who has to come before the Transport Board. He can come before the Transport Board, certainly he can come before the Transport

Board; then you and Mr. Evans and all your cohorts are here, and he is stage-struck.

Q. Well, that is not the way it works.

A. You see, you lawyers are difficult to deal with; we all find that.

Q. But that is not quite the way it works, is it?

A. Well, it is.

Q. Because I have heard the Chief Commissioner say on occasions, "If you have a complaint, notify the Board" --

MR. FRAWLEY: Send a postcard.

MR. O'DONNELL: Q. Send a postcard, as Mr. Frawley says. The Chief Commissioner said, "Just send us a postcard indicating the complaint," and under the law they have to look into it and they do look into it; isn't that so?

A. I know.

Q. Now, can you suggest any better method of doing it. I think that is what would interest the Commission.

MR. FRAWLEY: Two postcards.

MR. O'DONNELL: You mean one with a return address?

Q. Have you any other suggestion?

A. Well, we will give you something.

(Page 2753 follows)

Q All right, we will leave that. At page 6 you say:

"In the past, at rate hearings the transportation companies have considered it sufficient to prove general prosperity in certain industries as warranting rate increases."

Do you think that is quite correct?

A Well, yes, I do, because I heard you in 1947.

Witness after witness came up and you said, "are you not making money in your business? You are all right; you are making money."

Q I was trying to show that a half a cent a pound, where he was making probably 8 cents a pound, did not mean anything.

A When you and Mr. Carson came in with your astronomical figures on cost --

Q I did not have any.

A -- the poor fellow could not possibly follow your figures.

Q I did not have any of those.

A He could not effectively present his case. Mr. Frawley will remember.

Q I am sure the Vancouver Board of Trade would agree that getting a rate increase was not quite as simple as it is stated there in that sentence I have just read to you.

A I do not say it is simple. I say you people see it is not simple.

Q Let me put this to you. When the costs of operation of your members, the businessmen, manufacturers and producers of Vancouver, went up, as they did, very considerably in 1945, 1946, 1947 and 1948, what did they do other than

to raise the prices of their products? Is that not what they did?

A Yes. The Board of Trade is not objecting to proper financing for the railways.

Q That is fine.

A We have made that clear. We say that is fine. Let me give you an example. We say we are like the patient who has a pain, and he has tried Dr. O'Donnell and Dr. Evans.

Q Dr. Norris.

A He has this pain that continues, so he comes before the clinic, which is this Commission of experts. He comes there, and he is not quite sure whether his pain is due to the treatment these two doctors have given him, which they told him was good for him, or whether it is due to something inherent. He comes here and he says, "here is the story. Let us try to find out what it is all about." We are all together here. You are the doctors and we want you to help us out. We are all sitting around here, but we have still got the pain.

Q I don't know what pain you have right at the moment.

MR. FRAWLEY: A great many pains.

THE WITNESS: Perhaps you do not realize what happened yesterday.

MR. O'DONNELL: Q. I do not know anything about yesterday. That was another day. At page 6 you say:

"In this connection regard should be had to the variable factors in different parts of the country and affecting different industries."

What does the Vancouver Board of Trade wish the Commission

to understand by the words "variable factors"?

A Where is that?

Q Page 6, in the middle of the page.

"In this connection regard should be had to the variable factors in different parts of the country and affecting different industries."

A All factors which affect industry, special conditions affecting particular industries. In other words, we are talking of the all-Canadian picture again. We are trying to put that before the Commission on an all-Canada basis. A little later we talk about truck compelled competition in the other provinces, and so on. It is all those things.

Q You have no special variable factors in mind?

A No, I am speaking of the all-Canadian picture and that is all, a plea with regard to the whole of Canada.

Q You may have some other more definite views later, but that is all you want to say on that at the present time. At page 7 reference is made to the wage scales?

A Yes.

Q You say:

"Wage scale increases before being granted should be subjected to severe scrutiny, having regard to other costs."

Surely the Board of Trade does not suggest that they are not subject to severe scrutiny?

A I should like to be sure about that. What was the date - in July last year year you remember the transportation companies were - there was a strike threatened.

Q Yes.

A We quite frankly --

Q That was threatened because the railway companies had refused to grant the increase?

A Yes. We quite frankly thought that the thing was going to be battled out, or that it would be straightened away, and that in some way there would be some conciliation, some effort really put forth. What happened? The first thing we knew the railways conceded the demands of labour, and then that was followed by an application for a rate increase at once.

Q When you say there that you thought it would be battled out by the Canadian Railways I take it for granted that the view of the Vancouver Board of Trade, which is a very important board of trade, is that in that particular case the application should have been resisted at all costs?

A We do not say resisted at all costs.

Q Battled out?

A What we say is that the thing was suspiciously like this sort of proposition, "we will pay the increase and tag it on to the rates."

Q Where did you get that impression?

A Because of the sequence of events.

Q What sequence of events?

A The sequence of events, as I recollect it - and I am subject to correction - is that in July, 1948 - I think it was July; perhaps you can correct me --

Q July 15, I think.

A A strike was threatened, and as I recollect it trains were standing by to pull people out of Lake Louise and Banff and places like that. They were going to get out of there when they could.

Q Those are summer resorts?

A Yes, so that the traffic could move, clear them out, and then suddenly the whole thing ended and the demands were granted, and there was an application for a 15 per cent increase, I think it was, in rates.

MR. SINCLAIR: Twenty per cent.

THE WITNESS: You asked for an interim 15 per cent.

Q.
MR. O'DONNELL: /Is that the extent to which you inquired into what happened in that particular case?

A Mind you, I am not saying - I am simply saying there was a sequence of events. We simply say before these things happen - we are not saying you did that because you gave in unduly. Perhaps you did not. Perhaps you fought it and perhaps you discussed it.

Q Did the Board of Trade make any inquiries about that?

A How could we make any inquiries? I ask you that.

Q I imagine with the ingenuity of these very progressive businessmen that they would easily find ways and means of making inquiries?

A No, we do not oppose proper wage increases. Let us make that quite clear. Nor do we oppose proper rate increases, but what we do say is that it is not sufficient to say, "oh, well, we will pay this and then tag it on the rates."

Q The point is I should like to know who said that?

A I will say this, that I will refer you again to that table on page 8 which shows that the wage scale increased inordinately in comparison to the lowering costs.

Q There is no wage scale shown there.

A You can see the wage scale there, wages of steam

railway employees.

Q Let us put it this way. Would you say it was the consensus of opinion of the members of the Vancouver Board of Trade that that wage increase last year, which the unions presented to the railways, should have been resisted, come what may?

A Why say "come what may"?

Q Because there was a strike threatened for July 15, as I remember the date.

A Yes, July 15.

Q Should the railways have said, "we will not grant that increase"? Is that your view?

A No, we do not say that. We say there was a serious situation with which you were faced, but we are not convinced that, taking into consideration the interests of the whole country, that you perhaps could not have done something more about it.

Q I am asking you that because of the fact that, as I read the newspapers a few days ago, a similar situation is about to occur. Demands for further increases have been presented, and are in the process of being pressed for by the unions. Would it be the view of the Vancouver Board of Trade this year, taking into consideration the change in the cost of living index, if any, that the application by the unions this year should be resisted?

A Oh, I do not know that; that is a matter for you. We do not know that, but what we say is that you should see to it that every time a wage increase is demanded and a strike threatened you should certainly be prepared to stand up on some occasions anyway and fight it.

Q I am asking you how much you want the railways to stand up and fight it. Are they to fight it come what may, because that is about the extent to which they would have to go?

A It is a bad situation for Canada.

Q I agree with you, and I am asking you if you have any view as to a remedy for it. Has the Vancouver Board of Trade any suggestion that might be made concerning that matter?

A My recollection is that a remedy was found in the United States when a similar situation occurred.

Q Just one more question on that same point --

A I am saying this, that the whole of Canada should not be under the domination of any particular class of its citizens, or of the railways either.

Q I go along with that.

THE CHAIRMAN: Q. Will you please give us the reference to the United States legislation?

A I am not speaking of legislation. I am speaking of the action taken by the President - when was it - two years ago.

Q And the coal miners?

A And the coal miners, and so on. I want to make it quite clear again that we do not know whether or not these wage demands were proper. We are not saying wage demands should be resisted at all costs. We do say that the position should never be that the economy of Canada should be under the control of any one class of its citizens or of the railways.

MR. O'DONNELL: Q. I agree with that, but is it

not a fact, Mr. Norris, that in the United States wage increases to the railway employees have been higher than they are in Canada?

A I don't know anything about that. I am speaking of principles.

Q You say:

"Wage scale increases before being granted should be subjected to severe scrutiny...."

Scrutiny by whom?

A By the railway companies.

Q You do not think that the railway companies do not scrutinize very fully and very carefully these demands?

A I personally think on that occasion they were under the lash, and they felt they --

Q That may be the fact. Being in that position, under the lash, what would the Vancouver Board of Trade suggest should be done?

A I suggest you do your best to get out of it.

Q That is the only consolation you can give us?

A That is all I can help you. You may have some legislation in mind that would help you. You may have something.

Q I have not anything at all. On page 13 you deal with the importance of separate accounting in respect of various activities of the railways. You say there that the confidence of the people in the efficiency in operation of the Canadian railways has been badly shaken. Rightly or wrongly, you say that.

A I say "rightly or wrongly." I think that is a statement of fact.

Q Is it not a fact that during the war and since the Canadian railways have done their job in a manner second to no other railways in the world?

A I would think so. I think that is probably correct.

Q All right, leave it at that.

A I am simply saying this, Mr. O'Donnell, that all these battles year after year between the railways and the various provinces are bad.

Q That may be, but on the other hand, Mr. Norris --

A And they do not help the railways and they do not help the provinces.

Q I agree with that. It would be nice to get an easier way, but on the other hand how would you suggest that rising costs of operation should be met by the railways other than by increasing the cost of their product in the same manner as anybody else?

A I think you are particularizing the matter too much.

Q That was the only subject at issue.

A No --

Q That was the only thing in issue.

A No, this Commission is making a study, as I understand it, and they want you to help them, and they want me to help them, and all of us, as much as we can.

Q That is right.

A I am simply making the broad statement that the continual ballyhoo, if you like to put it that way, that takes place at the time of a rate hearing, in connection with rate hearings, is not good for the railways or the provinces.

Q There is no doubt about that, and if it could be done in a simpler way it would be advisable, but have you

any simpler way to suggest?

A In this connection I say you could help by telling the people all about it, telling them a little more. I think your public relations have been bad.

Q They may be; I don't know.

A Generally; I do not mean recently but throughout the years.

Q Do you read the annual reports of the Canadian National Railways?

A Sometimes - and the Canadian Pacific.

Q Do you suggest there should be any more detailed report?

A I don't know. Mind you, I am now speaking of the resistance that was apparent at the time of the last rate hearing to getting any figures.

Q The resistance was by the people who suggested that they should not be asked to pay more for a product, the cost of which had gone up?

A I am speaking of the efforts of the provinces, particularly of the province of Saskatchewan, Mr. MacPherson - I do not know whether Mr. Frawley was a party to it - to get some figures from the railway companies.

Q Did you look at what was obtained from the railway companies by way of figures?

A Pardon?

Q Did you ever take the trouble to look?

A At what they did give?

Q Yes.

A It was like pulling teeth, a pretty tough proposition.

Q The record stands higher than I do, Mr. Norris.

I don't know about that.

A I say it is because of the resistance of the railways to supplying that information, which was publicized throughout Canada, that people lost confidence. They thought, "there is something wrong with the operation of the railways."

Q I just want to ask you one question now concerning your suggestion on page 13 which reads:

"In order that such confidence may be re-established and maintained, the transportation companies should make it abundantly clear that their accounts do, in fact, make a complete and full disclosure of their operations in the respective fields of endeavour."

Do you know of any corporation anywhere that is audited more fully and completely than the Canadian National Railways?

A I might give it some consideration. Remember first of all the Canadian National Railways is a public corporation.

Q That is right, and the fullest information should be given and is given, in my view. I am asking you to begin with if you know that the Canadian National Railways is audited by its own auditors?

A Yes, they are probably very good auditors.

Q George A. Touche and Company, and then it is audited on behalf of the parliament of Canada?

A Let us put it this way. If there is anything more that your railway system can find out that they could give to the public, then I suggest that they do that and give

them everything.

Q I agree with you fully. I am just asking you if, in the light of the statement you make there, you are aware of the fact that the accounts of the Canadian National Railways, to begin with, are audited by their own auditors?

A I did not say they were not.

Q I am asking you if you knew that, and that secondly they are audited by auditors appointed by parliament each year?

A Yes.

Q Under the C.N.-C.P. Act, and thirdly that they are subject to the most minute examination each year by the railway committee of the House of Commons.

A That is probably so.

Q Do you suggest to this Commission that they should recommend that anything more than that should be the rule?

A I suggest that you just be a little more generous with the supply of information to the people, so that they will not get the impression that you are hiding something.

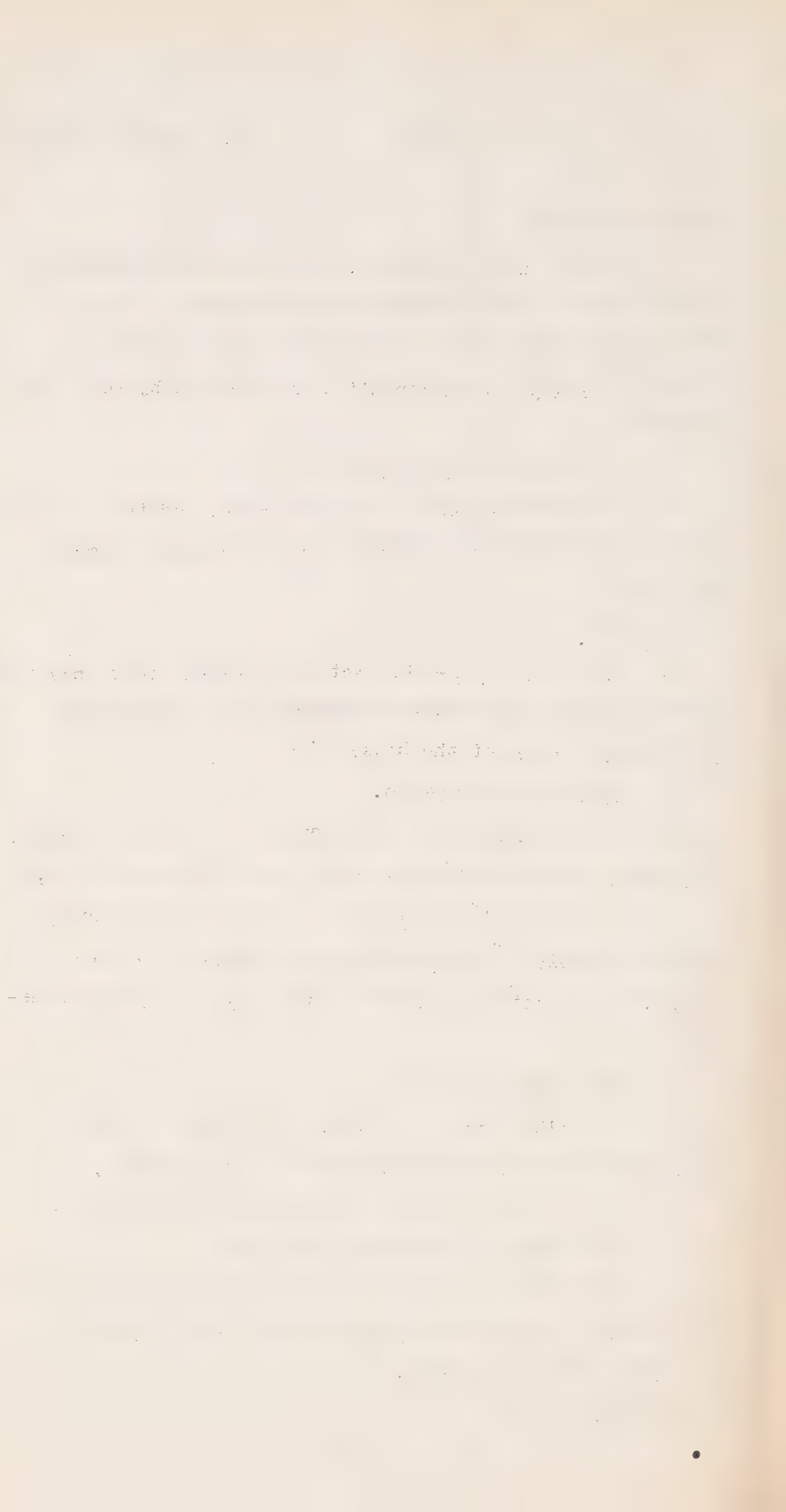
MR. EVANS: Nonsense.

MR. O'DONNELL: Q. No one could get the impression anything was hidden so far as I am concerned.

A I don't know what Mr. Evans is muttering about.

MR. EVANS: I am saying "nonsense".

THE WITNESS: I am giving you the impression that the people of Canada have, and they have that impression. You could look at the headlines in the papers in that period and see that.



MR. O'DONNELL: Q. All I am talking about --

A You are speaking for the C.N.R.

Q I am asking if you have any suggestion other than that.

A You do not suggest I am talking nonsense.

Q I do not have to suggest anything. I am asking you if you have any statement to make to the Commission as to any more stricter and more rigid examination of the Canadian National accounts than is presently provided for by statute?

A I say the next time you have a rates hearing be a little easier with the people who want to get your figures.

Q Well, let me ask any of my friends here if they did not get the fullest information.

A From the Canadian National Railways?

Q Yes.

MR. EVANS: And from the Canadian Pacific, too.

MR. O'DONNELL: Mr. Frawley will agree with that.

THE CHAIRMAN: The briefly simply says, "it should be possible to show in simple terms and separately" --

THE WITNESS: "Separately" is important, too.

THE CHAIRMAN: "In respect of rail and water transportation and hotel activities and other services such as telegraph, express, motor traffic and ancillary services..."

MR. O'DONNELL: Yes.

THE CHAIRMAN: "The full picture of revenue and expenditure", and so on. The point is do your statements and your audited reports show these services separately and fully?

MR. O'DONNELL: I think they show them.

THE WITNESS: And simply.

MR. O'DONNELL: I will be glad to provide the Board with copies of these reports which I think are very full and complete.

THE CHAIRMAN: That is the only suggestion here.

MR. O'DONNELL: That is right, but I was merely asking if he had any further suggestion as to something more that could be done than is being done.

THE WITNESS: Perhaps we can take it under advisement.

MR. O'DONNELL: I will be glad to leave it at that. Thank you very much.

MR. COVERT: Do any of the provincial counsel wish to ask any questions?

MR. SHEPARD: I have none.

CROSS-EXAMINATION BY MR. FRAWLEY

Q Mr. Norris, I should like you to explain one matter at the foot of page 10 where you call attention to the actual railway mileage from Vancouver to Edmonton, and from Vancouver to Calgary. Is the suggestion implicit in that that there should be a sort of interchange between the railways, that the one having the shorter mileage should haul the traffic as against the one having the longer mileage?

A Yes, either way.

MR. SINCLAIR: I think it is only fair to tell the Commission, and the learned gentleman who is appearing for the Board of Trade --

THE WITNESS: I am not appearing for the Board of

trade. I am the President of it.

MR. SINCLAIR: As advocate and witness combined --

THE WITNESS: Is that very fair?

MR. SINCLAIR: I am addressing my remarks to the Commissioners. I was about to give some information in regard to this matter.

THE CHAIRMAN: What is that?

MR. SINCLAIR: I was going to give the Commission some information with regard to this matter which I think will be helpful. It has to do with the question raised by Mr. Frawley. For many years grain from Canadian National points around Calgary has moved by the Canadian Pacific to Kamloops, and is then turned over to the Canadian National. Canadian Pacific grain from around Edmonton is turned over to the Canadian National, hauled by the Canadian National, and turned back to the Canadian Pacific at Kamloops. This comes to a very substantial tonnage.

MR. FRAWLEY: What happens to the grain off the N.A.R.? Does it all travel via Canadian National to Vancouver?

MR. SINCLAIR: I will make inquiries as to that. I do not know now, but I will put it on the record.

MR. FRAWLEY: I was going to call the witness' attention to that interchange on grain. I take it your suggestion is that other traffic be treated in the same way?

THE WITNESS: That is right, other traffic in the same way.

EXAMINATION by MR. COVERT

Q Mr. Norris, will you turn first to the first paragraph on page 3 of your brief?

A The first paragraph?

Q Yes. In that you refer to the haphazard growth of the rate structure.

A Is that page 3?

Q I thought it was.

A Oh, yes.

Q And you say:

"The haphazard growth of the rate structure in Canada has been due to the fact that such a wide discretion has been left to the transportation companies resulting from the practice of granting flat percentage increases, and because that wide discretion under the ceilings" --

A Under the ceilings.

Q "--fixed has often been exercised on considerations of expediency, on political considerations and often as a result of local pressure."

When you refer to local pressure you mean the pressure of industries? Is that correct?

A Yes, or people like boards of trade.

Q Would you care to give examples of expediency and political considerations?

A That is the same thing. I suppose expediency is the result of local pressure. Very often it is a question of what is the easy thing to do, and how can we retain the good will of this district.

Q Then, Mr. Norris, as I understand it what you really

say is that because the Board only fixes maximum rates there is that field where the railways have the power to come down, and are you perhaps suggesting that the Board should also fix minimum rates? Is that what you have in mind?

A Well, I don't know about that. I should like to reserve judgment on that. Perhaps we can put something in on that later.

Q You seem to say that the railways have wide discretion?

A That is right.

Q I think the Commissioners would like to know whether you are suggesting that rules be drawn up limiting that discretion, or whether there should be a floor?

A Something of that sort. We would like to give that further consideration. There might be some amendments to the Act or there might be rules that could be made which would put a brake on the exercise of that discretion.

Q. That may be the way to do it, I do not know.

There have been some suggestions that the railways should have freer control than they have; and you disagree with that?

A. I disagree with that. I think the principle is bad.

Q. Now, then, the last paragraph on page 3, you say:

"A realization of that responsibility...."

A. That is, as to service.

Q. "A realization of that responsibility should stay an effort by the transportation systems to seek through rate orders, that, which when the requirements of modern services and the burden on the public paying the transportation rates are disregarded, amounts to indirect subsidy."

I am afraid I do not quite understand that. I wonder if you would explain it?

A. All I mean is: That if they do not, if they get more in effect than the service they are giving justifies, then they are being subsidized. That is all.

Q. I see

A. I do not know whether you have seen the 62nd annual report of the Interstate Commerce Commission; but they make this statement:

"For a number of reasons, the railroads in their own interests must not rely or expect us to rely solely on what their costsheets show. Rate increases may be carried to the point where they are largely self-defeating. Viewed from a broader standpoint, continuing and large advances in rates work changes in the national economy which, on the whole, should be avoided where possible. Whether transportation is cheap or dear in

terms of other prices, the flow of goods into our characteristically national markets and the economies flowing therefrom will be checked."

Q. And you agree with that statement?

A. I think it is a fair statement.

Q. I take it that so far as we have gone, the main point which the Board of Trade is making is: That there should be greater control over this freedom below the ceiling?

A. No. I do not perhaps go that far. We say this is a matter which should be explored because we think the principle is bad.

Q. Now, at page 4, I think, you again refer to the principle of the 21 per cent case?

A. What is that?

Q. The principle of the flat increase.

THE CHAIRMAN: What page is that?

MR. COVERT: I think it is page 4; perhaps it is page 5.

THE WITNESS: That is the same thing we were talking about just now.

MR. COVERT: Q. Yes; and at the bottom of that page, and perhaps at the top of the next one, you made the statement that they have this power to force out of business. I understand from the previous cross-examination that you are not prepared to give examples of it. The power is there?

A. The power is there, and there is the old principle that absolute power corrupts absolutely. I do not know.

MR. SINCLAIR: It is a cliché.

MR. COVERT: Q. Is the power in the railways, or do you say it is not limited sufficiently by the Board of Transport Commissioners?

A. It is in the railways, although it is limited by statute as to unreasonable provisions. But, in practice, it is extremely hard for a foreign individual, and he should not have to appear before the Transportation Commissioners.

MR. O'DONNELL: Let him send his sister.

MR. COVERT: Q. I am not talking about appearing before the B.T.C.

A. I say that the power becomes absolute, because it is so difficult for the small industrialist to present his case, that that is what it amounts to.

Q. And therefore, when a railway makes an application for an increase, you think it is pretty well bound to go through?

A. I think that history shows that.

COMMISSIONER INNIS: Q. I am not quite clear on the same point; at the bottom of page 5, and on page 3, the two upper paragraphs; it seems to me that they are a bit contradictory. I wonder if you would say that the changes which might be made by this Commission, or by any other body, should be of an over-all character, or should they be of a gradual character, having in mind the point you make with respect to the effect any disturbance would have on the course of business?

A. Yes. You are suggesting that whatever changes this Commission suggests, that they should be brought in gradually?

Q. I am asking you if that is what you wish to imply at the top of page 3; or do you think there should be something of an over-all revision which would not be gradual; I am not sure what you mean?

MR. COVERT: Q. Perhaps I could be helpful on that.

You made a statement on cross-examination, Mr. Norris?

A. May I just reply to Commissioner Innis. I say, apart from the natural need for revision, I am directing my statement there to Mr. Walker's statement: That here we have had the decisions on the past; and I simply say that this Commission can act as a revising body and make certain recommendations to be brought in from time to time; and that therefore it should not be suggested that there is not a most useful purpose to be performed by this Commission.

Then, when we come to page 5, I am talking there about a different thing, about giving this great power to these transportation companies.

COMMISSIONER INNIS: Q. In both cases you are against any sudden change, whether it be on the part of the companies or the Board?

A. That is a matter for this Commission, whether you tear the whole thing up and change everything. It says you would have to bring in something, although the impact would not be too severe. A great many changes took place last year with regard to commodity rates, and so on, which had a very bad effect on business, of course.

MR. COVERT: Q. You say that this Commission should feel free to suggest sweeping changes?

A. I do.

Q. And then you say it may be necessary, when it comes to changing the rates, that they be put in slowly?

A. That is right.

Q. And you also say that the power is there, that it is a tremendous power in the railways today, and that it is not reflected sufficiently by the B.T.C; that the power is there to

force industries into other provinces or regions; and also the power is in there to destroy industries?

A. It may be very difficult, properly, to recontrol that power.

Q. Would you think it was because of the size of the railways?

A. I think it is because of the fact that they have exclusive franchises, and we have to deal with them.

Q. Do you suggest that perhaps there should be more competition?

A. I think that situation is gradually developing.

THE CHAIRMAN: Mr. Covert, we have had very many years of experience and we would like to know whether the power which is feared here has ever been known to have been used by the railways?

MR. COVERT: Q. Have you had any examples of that Mr. Norris?

A. I have told Mr. O'Donnell that we would try to get you the particulars.

Q. But you have none in mind right now?

A. No. I said this submission was preliminary; and that here there were matters which might well be looked into, because there were possible difficulties and there was possible misuse of the power that was given.

Q. Do I understand that that power comes from the ability to vary the rate below the maximum?

A. Below the maximum, that is it.

Q. And on page 6 of your brief, I think it is at the top of the page, you refer to unregulated local traffic or water competition?

A. I had in mind there - I do not know much about water competition - but I had in mind unregulated truck competition. Perhaps "unregulated" is too broad a term. "Poorly regulated" might be better, I suppose.

Q. I take it you feel you are pretty well aware of how trucks are regulated in British Columbia?

A. I understand you had a gentleman named Brown here who told you all about it in Victoria, at some length, and therefore, you probably know much more about it now than I do.

Q. I just wanted to see if you knew how the trucks were regulated in British Columbia, and I am trying to find out if you are satisfied with it here, and are suggesting that it should be done immediately in other provinces?

A. I think, on a broad submission, if our regulations are good - you have gone into them - but before a compelling rate is accepted, it should be based on similar factors and similar control. There should be a fair rate fixed; it might be an artificial rate; I do not know.

Q. Would it be fair to ask you whether you think, perhaps, since trucks are regulated here in this province - and I believe the brief seemed to indicate that they are well regulated?

A. That is right.

Q. That, probably there is less competition for the railways here than in, perhaps, eastern Canada, where there is no regulation?

A. That is our general proposition. We think that is the case. We say that this is a matter which should, perhaps, be looked into.

Q. Do you think each province should regulate trucking,

that is, provincial trucking, on a basis at least somewhat similar to British Columbia; and, with reference to inter-provincial trucking, that it, too, should be regulated?

A. Oh, yes; and I have said here that you should not take a compelling rate which is not based on the same factors that exist in other provinces; that is, which is not based on the same control and regulations, as it is in other provinces.

Q. Wouldn't that be the only practical method?

A. I think you are correct; it would be to have somewhat similar regulations in all the provinces, and that, of course, would be a matter for each province.

Q. Would you suggest that there should be a regulation of trucking, interprovincial trucking or transcontinental trucking by the same body which regulates the railways?

A. There should be some sort of regulation, but whether that would be it or not, I do not know; but some similar regulations should exist. If you are to have competition, it should be regulated in the same way.

Q. And also, on page 6, in the third, the penultimate paragraph from the bottom of the page, you say:

"It is important that on all rate applications the broad Canadian picture be considered, not only in support of the claim of the transportation companies, but as affecting directly or indirectly the 'well being of all parts of Canada.'"

A. Yes.

Q. First of all, are you confining that to any particular type of rate application - because, what I have in mind is: That there are many briefs which have been

submitted, which say that the shipper and the railway should be able to sit down together and negotiate an agreement on rates. Would you disagree with that principle entirely?

A. That is, the shipper and the ---?

Q. The buyer of the transportation, if a man wants to negotiate?

A. That is the proposition which Mr. O'Donnell put up to me; and, as I said, that should be under the Commission, and the effect it had on other parts of Canada should be considered; it would have to have most serious consideration.

Q. Thus, for example, if a group of lumbermen in British Columbia want to negotiate a rate with the railways you say they should not be able to do that, but that they should have to go before the B.T.C., and the picture in all Canada should be looked at before the railway gave them a rate?

A. No, I do not go so far as that.

Q. No; but I am asking you if you would go that far, or what would you do?

A. No. I think that is a question which the Chief Commissioner put to me, and asked me what remedy I had to suggest; and I said that, at this stage, I had no remedy, but that it was a matter for study, because the evil exists there.

Q. Perhaps I have not made my question clear to you?

A. You asked me if every time a man wants to change a rate, he should first go to the Commission?

Q. Yes, and that the all-Canadian picture should be considered?

A. No. I think your structure should consider the

all-Canadian picture and management. Your rate structure should take in the all-Canadian picture. I do not say it should always take in the all-Canadian picture, but the effect of that rate in other parts in Canada, and the movement of similar commodities should be given the greatest consideration when the rate is either agreed upon, or approved by the Transportation Board.

Q. Let us say that that has been done and that the rate is in effect, let us say, on lumber?

A. Yes.

Q. Now, suppose conditions change?

A. Well, if it is a matter which may affect the all-Canadian picture, then it is a matter that the Transport Board should certainly deal with.

Q. So then, generally speaking, you would say, I gather, that if it is a matter of that kind, then the matter should come before the B.T.C., and people in any area, district, or region of a province should not be able to negotiate a rate below the ceiling?

A. You are trying to tie me down.

Q. No, I am not!

A. You are; you are coming right back to Mr. O'Donnell's proposition, are you not?

Q. I do not know.

A. I think you are.

Q. You have made the statement and I just want to find out if there is any help you can offer to me.

A. Not at the moment, if you like to put it that way, no. I have gone as far as I can go.

Q. Under the heading of "Efficiency and Economy"?

THE CHAIRMAN: What page is that?

MR. COVERT: It is page 7, Mr. Chairman.

MR. COVERT: Q. You refer to "Efficiency of and Economy in Operation of Railways"?

A. You can take it that what I am saying is: That they should see to it. That is all that is being said there: that they should see to it that they give service for what they get in the way of rates.

Q. And you have no specific recommendation to make to the Commission at this time?

A. I have talked about the wage scale here, and Mr. O'Donnell explored that. And then I have given you certain specific things which follow.

Q. I will come to **them**; but with respect to internal management and operation, are there any specific items?

A. Oh, no. I have not developed anything. I understood that this Commission was going to explore all those things. I represent a Board of Trade which has no specific knowledge. We may get some during these hearings, we may find out a great many things; but we say: These are the things which, probably, might be looked into.

Q. What I was going to ask you was: Do you think, perhaps, that the B.T.C. should be tied into wage negotiations in any way? You are not suggesting that, are you?

A. No! God forbid that I suggest that anybody be tied in any more to wage negotiations.

Q. I meant, perhaps, that they should act as a labour board for the railways?

A. No! I think we have got plenty of labour boards already.

Q. Now, to deal with your table on page 8, I would like to know if you have compared the wages of railway employees with those of employees in other industries, the major industries; take, for example, the lumber industry? Would you say that they had gone up a great deal more, during the period set out in your table, that is, that the railway employees' wages had gone up a great deal more than the lumber employees?

A. That is not my comparison here, you know.

Q. No. But I was wondering whether that might be helpful to the Commission, if you knew that?

A. It would be helpful, and if you would like us to explore it, we would be very happy to do so.

Q. It just occurred to me that a comparison of the percentage increase with the cost of living alone, perhaps, does not tell much?

A. Take your percentage increase and your costs and your earnings and operating expenses; I think that tells quite a little.

Q. It would if you compared it with some other industries, it would seem to me. Perhaps you suggest that wages have not increased in other industries in times when their operating expenses -

A. I would be surprised if they had, if that picture were reflected in other industries; I would be very much surprised.

COMMISSIONER INNIS. Q. You have not tried to convert the 1939-47 figures so that they would be comparable to the 1938 figures?

A. The basis changed, I think, Mr. Commissioner Innis.

You are asking whether we had converted the 1939-47 figures?

Q. Yes; you have the 1913-38 figures based on 1913; and you have the 1939-47 figures based on 1939. So, would it be possible to get a similar base for the whole table?

A. I suppose it would, yes; but it would have to be an adjusted base. I have not tried to do that.

Q. You have not?

A. No. Mr. Covert asked for increases. My secretary has just handed me the Labour Gazette for May, which shows transportation and communication wage increase, percentage of increase 1948 over 1947, and it ran, transportation and communication, 17.4 as against 12 and 13 in other industries.

MR. COVERT: Q. Yes. I think that would be the information; and I wondered if it could not be supplied for the same periods because I think it might be very useful.

MR. O'DONNELL: As a matter of fact, Mr. Chairman, I think in both the 21 per cent and the 20 per cent case, there will be found an exhibit which gives very detailed information as to the average rates per year over a period of some years, and the changes in the various classifications; and there are hundreds of classifications in one of the exhibits. I think that information should be readily available.

THE WITNESS: We will try to dig it up anyway.

MR. COVERT: Q. On page 9 under the heading of "Necessity that Railway effect savings in freight car transit time", you deal with merger, and you point out:

".....due to inefficient operation a car should take in transit ten or twelve days more than the normal transportation period, the cost of the loss of car use

is treated as a normal operating cost by the railways and is taken into account in fixing rates....."

The first thing I want to know is: If it is the experience of the members of your Board ^{that} this is a serious matter and that there are cases where there is a great deal of loss of time which affects the consumer?

Page 2790 follows

A. Well, there are losses. Our traffic manager says that they have made a general study of it and that it was quite a serious matter.

Q. Quite a serious matter.

A. Yes.

Q. And do they reach the proportions where there are ten or twelve days or more?

A. Yes. Of course, I think that is just a figure. I have a case here where the delay was just a matter of a day, and it was very serious.

COMMISSIONER INNIS: Q. Could we have access to that study, I wonder?

A. Pardon?

Q. Could we have access to that study?

A. Yes, we will supply that. I will put this in. We will get a copy, if I may put a copy in and preserve the original.

MR. COVERT: Q. Then the next thing, you seem to suggest here that the railways collect demurrage but it is very difficult for the shipper in the contrary case?

A. Yes.

Q. And you refer, I think, to the almost insuperable burden that the burden of proof puts upon him:

A. In some cases, yes.

Q. Is the Board of Trade making any specific suggestions as to, first, whether this is wrong in principle the way it stands now, and secondly as to whether something should be done about it and if so what?

A. We say demurrage is wrong, and we say delays are wrong, either way; that is our basic principle. The unhappy shipper or consignee is assessed a penalty by way

of demurrage, and we are in the realm of penalties rather than in common law, we are under the Act, and there should be some sort of countervailing penalty, the other way, you see, a countervailing penalty.

Q. You would put it on the basis of a penalty rather than damages?

A. Well, damages would amount to a penalty; that is what it would amount to, I suppose, per diem or something of that sort -- I don't know how it would work out.

Q. The damages might be a great deal more than the mere ---

A. That is right. We think it might be an incentive to efficiency. I don't know; it might not be; there it is.

Q. You are not prepared to make a definite recommendation; you just throw that out to the Board?

A. Yes; we say, here is three million dollars odd for demurrage in the year 1947; that is a lot of money.

Q. That would be perhaps as much as half of one per cent of the total freight bill. Now ---

A. We are not objecting particularly to penalties for delays, but we do say all this would lead to greater efficiency if there was an incentive on the railways as well as on the shippers and the consignees.

Q. You think if there was a penalty that that might --

A. Lower costs.

Q. -- stop these delays and increase the efficiency of the railways.

A. That is right.

Q. That is the point of that

A. These are all thrown out as suggestions.

Q. Now, you have examined section 312 of the Railway

Act dealing with that?

A. Yes.

Q. And you are not satisfied with it as it stands

A. No.

Q. Then the economy in car saving space -- you are dealing with carload minimums?

A. Yes. I think those figures speak for themselves pretty well, Mr. Covert. We say we think it would be well to develop this; we think it is an excellent thing.

Q. What I would like to know is, have the shippers generally asked the railways to do a thing like this, and have they refused?

A. Oh, no. This is not a complaint at all. We say this is to their credit; we are all for it; develop it as much as we can.

Q. Then I believe that there have been some briefs submitted to the Commission where they have urged that there be lower minimums; would you disagree with the principle of that?

A. Well, I don't know. Of course, I do not know what the submission was.

Q. Well, the submission is, I think, that there be lower minimums so that they could get a lower rate.

A. Well, I think the higher minimum and the lower rate, the constantly decreasing rate with heavier loading. That is a benefit to the railways and to the shipper.

Q. Then coming to section "E" dealing with the Maritime Freight Rates Act and the Crows Nest Pass Agreement, subventions on coal, etc.

A. Our general proposition there, Mr. Covert, is

that which is stated, that we think that the granting of benefits by statute is wrong.

Q. And that all of these things should be subject to review by the Board of Transport Commissioners?

A. That is right, that is right.

Q. What I would like to find out is just how you are suggesting that they will be subject to review. Should the Board, for example, start out with an agreement in the principle that those rates, for instance, were put in for definite reasons but that as economic conditions change the rate changes but perhaps the same differential is there

A. Well, if a differential is justified, that can be justified before the Board of Transport Commissioners, who then would have liberty of action to deal with it as time went on. It may be as with regard to the Crows Nest, that the railways are making too much money or not making enough money or something of that sort, but it all should be dealt with by the Transport Board. Here we have a situation which throws the whole rate picture out of line. The Transport Board cannot deal with it at all, cannot deal with these matters.

Q. Then let us just deal, for example, with the Maritime Freight Rates Act, where they get a 20 per cent less rate?

A. That is right.

Q. You cannot say then that the B.T.C. should be able to look at the whole picture and say, "Well, now, they don't need that 20 per cent discount any longer"?

A. That is right.

Q. And then we take the case of the Crows Nest Pass;

they should investigate, perhaps, to find out whether it is a paying rate, and if it is paying its fair share they leave it as it is?

A. That is right.

Q. If it is not, they raise it

A. And it may be that other commodities are bearing the burden of the Crows Nest rate, that is, they are paying for the Crows Nest rate.

Q. And if it is paying more than its share now, the Crows Nest Pass rate, then lower it?

A. Well, I have in mind the mountain differential; the mountain differential was taken off by the Board of Transport Commissioners. These are similar things.

Q. The point I want to make is this, that presumably the 1897 rate has been left in because it was felt that the grain must be moved?

A. That is right.

Q. To foreign markets?

A. That is right.

Q. Is that a principle that the B.T.C. should have in mind in any revision

A. I should think that is perhaps one of the things. I suppose the necessity of movement always has a bearing on rates.

Q. Would you think that this would perhaps be making ---

A. That is a factor. The Secretary points out that is a factor in lumber.

Q. Would you think, then, that perhaps you might be making an economic planning board of the B.T.C.?

A. Well, I think it is now to some extent.

Q. You would say that there is no reason that that should not be:

A. No. I say they have to deal with such things as what the traffic will bear and things of that sort; they are in effect dealing with these matters now. Here we have these things coming in and distorting the picture.

Q. That is right. You say that it is wrong in principle that a rate should be fixed in 1897 and that that can go on for all time

A. That is right.

Q. Because economic conditions change

A. That is right.

Q. And the same with the Maritime Freight Rates Act?

A. That is right.

THE CHAIRMAN: Q. As I understand it, Mr. Norris, you mean that there should not be any statutes governing freight rates:

A. That is it.

Q. At any time?

A. That is right.

Q. That the powers of the Board should be very considerably increased to make them the judges of whether or not certain economic conditions exist and should be satisfied?

A. That is right.

MR. COVERT: Q. I am sorry, Mr. Norris -- dealing with truck and bus-compelled rates, on page 12, there was just one further question I wanted to ask you. You approve in principle of regulation to prevent over-competition

A. Well, it gripes my very free trade soul, but I suppose it is necessary. If you want to get service you

have pretty nearly got to do it.

Q. In other words, you would subscribe to the theory that there can be so much competition that there is nothing in it for anybody?

A. That is right.

Q. And that eventually your service goes?

A. Yes. I suppose you might regulate it by standards of service, and pretty stiff standards of service, and so on -- I don't know -- requirements of service. The thing would regulate itself.

Q. Now, one question on passenger fares, discrimination -- that is on page 12. I take it what you would say is that if the same principles applied to the removal of the mountain differential in the case of freight, if the volume of traffic -- that would be the test?

A. That is right.

Q. If the volume of traffic has increased they should be the same?

A. All the factors taken into consideration. I think that is simply the tail following the hide, that is all.

Q. Now, the last one deals with separate accounting. Would you care to express any opinion as to whether or not both railways should be put on the same accounting basis so that their accounts could be compared

A. Well, I would think that would be a reasonable and proper thing. I think if you are going to have competing services you should have competing conditions.

Q. I may be taking you out of the field that you have here, but I was wondering if you ---

A. Well, to the extent I can, I will be glad to answer.

Q. Then would you suggest that they follow the procedure which I understand is in force in the United States, that there is a standardized form of accounting

A. Yes, I would think that would be highly important. I am addressing my attention there particularly to building up the confidence of the people, you see.

Q. This paragraph really deals with public relations

A. Yes, to a large extent, and I say that it is important that all these services should be divided up, all these endeavours and enterprises of the railways, and they should be made as simple as possible, their accounting systems.

Q. And that simplicity is so that the people may know?

A. That is right.

Q. Then this is the last point I want to take up: have you considered at all the cost-of-service principle that has been advocated by ---

A. Well, cost of service is one factor that enters into rating, and that is all. You have got what the traffic will bear and the cost of service and these things; it is a factor. Now, the importance of that factor is relative, I am not prepared, and certainly I would not go so far as to say that cost of service was the factor and was the important factor in rates and should be the important factor; otherwise the situation would be ridiculous.

Q. Your view would be that it is merely a factor:

A. A factor.

THE CHAIRMAN: Thank you, Mr. Norris.

COMMISSIONER INNIS: Q. I was wondering; in the conclusions on page 13 you refer to the asperities which have been attendant on rate hearings?

A. Yes.

Q. What had you in mind?

A. Well, what I had in mind here was that year after year industry is disturbed, and I am sure the transportation companies must be disturbed, by what amount to battles royal in matters which really should be pure matters of business. I think that all those things can be avoided. The railways and the industries, one cannot get along without the other, and I think they ought to be able to get around a table and straighten themselves away.

THE CHAIRMAN: Q. Well, what legislation might be suggested which would bring about that state of affairs?

A. Well, I think if your revision were such -- now, this is perhaps a little bold even to suggest, but if your recommendations were such as to give them a new start, so to speak -- you see, these old causes of complaint have grown up throughout the years; we have got rid of the mountain differential and so on. If some of the ends I suggest here could be achieved, some of the difficulties overcome, the matter of accounting and all these things, and good will built up with the people, I think the thing would work itself out.

COMMISSIONER INNIS: Q. You mean something more than the exchange of pleasantries between learned counsel?

A. That is it, that is it. We are always glad to have them out here; they come out, and we are very glad to have them, but we think they might come out and play a game of golf or something of that sort once in a while instead of ---

MR. O'DONNELL: Get the weather straightened out, and we will do that too.

MR. FRAWLEY: Mr. Chairman, just one question I

wanted to ask Mr. Norris on this question of truck regulation.

Q. In Ontario and in Quebec the lack of regulation has done a pretty fair job in the way of getting their rates down, hasn't it?

A. Yes.

Q. That seems to be agreed. So don't you think that there is a danger that truck regulation might disarm an area of a weapon which might be useful in bringing down rates?

A. It is a matter of degree, Mr. Frawley, it is a matter of degree.

Q. It is something that has to be very carefully considered?

A. Yes.

Q. There are many angles to it?

A. Very carefully handled. It may be that our regulation is too stiff; I don't know.

Q. Because there is no doubt about it that it has done almost too good a job; we holler about the fact that in Ontario they have brought their rates down?

A. That is correct. My complaint, though, is that the factor applies here as well as there; that is to say, the factor should be constant.

THE CHAIRMAN: Mr. Covert, we have ten minutes yet.

MR. O'DONNELL: Before we call the next witness, Mr. Chairman, it just occurred to me that this might be a convenient spot at which to put on the record the reference I made several times to the fact that the Chief Commissioner indicated the simplicity of the procedure which the Act now

allows for complaints to the Board. I find in volume 762 of the proceedings in the 21% case, at page 8583, when we were here two years ago on the 20th of June, Commissioner Stoneman made this remark:

"Commissioner Stoneman: But if he had a case which would justify him applying for an adjustment of the rate he could apply to this tribunal.

The Witness: If he has the facilities to apply to the Board.

The Chief Commissioner: All he has to do is write a letter.

Mr. Norris: Then we go into a rate hearing such as this and he is faced by my friends there. He has not the fibres of war to carry on.

The Chief Commissioner: He does not need any. That is one beauty of the informality of our procedure."

THE WITNESS: I would not agree with that.

MR. O'DONNELL: Continuing:

"Mr. Norris: Then, Mr. Chief Commissioner, I don't know what I am doing here.

The Chief Commissioner; You are opposing, on behalf of your client, any increase in rates.

Mr. Norris: As vigorously as I can.

The Chief Commissioner: If there is dissatisfaction in connection with the rates or anything else over which we have jurisdiction, the machinery can be put in operation, not by long, intricate and technical pleading, but by simply a letter to the Board."

THE WITNESS: You put in operation ---

MR. O'DONNELL: In one other spot he said some-

thing about sending a postcard, but that is my reference, anyway, as to the simplicity of the proceeding.

MR. FRAWLEY: Three cents instead of four cents.

THE WITNESS: Well, it all sounds very nice.

MR. COVERT: Mr. Chairman, the next submission is that of the British Columbia Fruit Growers' Association.

H. B. EWER, called

EXAMINED BY MR. BRAZIER:

Q. What is your full name, Mr. Ewer

A. H. B. Ewer, Traffic Manager, B.C. Tree Fruits Limited, Kelowna.

Q. You are the traffic manager of the B. C. Tree Fruits Limited, with your head office in Kelowna

A. Yes.

Q. What is the B.C. Tree Fruits Limited

A. That is the sales organization set up by the British Columbia Fruit Growers' Association as the marketing agency for the tree fruits primarily, produced within their area of control.

Q. And the brief you are presenting today is on behalf of the British Columbia Fruit Growers' Association

A. That is right.

Q. Would you just describe generally to the Commission the area covered by your growers.

A. The area roughly, Mr. Chief Commissioner, is that set out in the Natural Products British Columbia Marketing Act, and reaches just west of Kamloops, including Keremoes, Osoyoos, and reaches to Creston on the east end.

THE CHAIRMAN: What is the name of that?

MR. BRAZIER: The British Columbia Natural Products

Marketing Act.

THE WITNESS: I think the wording is Natural Products Marketing British Columbia Act.

MR. BRAZIER: Q. As I understand it, your B.C. Tree Fruits became the marketing agency under that Act in 1939.

A. Correct.

Q. Would you proceed to read the brief?

THE CHAIRMAN: We have only two or three minutes left before one o'clock, so I think before Mr. Ewer begins to present the brief we will adjourn until half-past two.

---The Commission adjourned at 1.00 p.m. until 2.30 p.m.

(Page 2805 follows)

Vancouver, B. C.

June 28, 1949

AFTERNOON SESSION

--- On resuming at 2.30 p.m.

H. B. EWER, Recalled

MR. BRAZIER: Mr. Ewer, I think you were just about to read your brief. Would you now put it on the record, please?

THE WITNESS: This submission is made on behalf of the fruit and vegetable growers of interior British Columbia, of whom approximately 3,600 are members of the British Columbia Fruit Growers' Association, the Association which for sixty years has served as the medium of consolidated expression of grower problems and the pursuit of their solution.

HISTORY:

The production of apples and other tree fruits in these parts commenced in the closing decades of the nineteenth century, and so suited to fruit-growing was the area found to be that extensive plantings were established during the ensuing twenty years. As usual under "boom" conditions, lands unadapted for the purpose were laid out in orchard, only to be abandoned later. Lack of water supply, or insufficiency thereof, was a major cause of loss to many of the would-be orchardists of the times. With the exception of the depression 30's, there has been annual expansion of orchard plantings, notwithstanding some mortality of the earlier plantings and abandonment of unsuited plots on "marginal" land.

Figures of annual production shown in Appendix "A" indicate the growth of the industry. In addition to the fruits listed, there are important crops of cherries and apricots, of which production has increased proportionately with the fruits for which detailed figures are shown. Carlot shipments of fruit and vegetables aggregate 12,000 to 18,000 cars annually, the figures for 1948 having been 13,212 cars. Shipments of canned fruits and vegetables approximate 1,000 cars annually.

MARKETS:

There was a ready market in western Canada for all the fruit produced in the early years. As is so often the case, there was a degree of grower exploitation, so that the producer did not always receive an appropriate share of the market price. An outstanding achievement of this Association has been the establishment in 1939 of centralized sales effort, which ensures to the orchardist and to the consumer the maintenance of fair values based on supply and demand.

In a relatively short time, production exceeded the distributive ability of western markets, and sales effort had to be directed to an ever-widening territory, embracing Canadian markets as far east as the Maritimes, and the United States. Expanding production overflowed the capacity of markets available in continental America, and by 1915 Okanagan apples were reaching the United Kingdom in notable proportions. Other off-shore markets were developed gradually, and contributed helpfully to the successful distribution of the apple and pear crops.

EXPORTS:

The under-noted figures indicate the extent to which British Columbia apples have been marketed outside of Canada:

<u>YEAR</u>	<u>U.S.A.</u>	<u>OFF-SHORE</u>	<u>TOTAL (Boxes)</u>	<u>% of Total Crop</u>
1923	142,500	551,250	693,750	17%
1925	51,750	507,750	559,500	18%
1927	96,750	420,000	516,750	13%
1929	133,500	463,500	597,000	15%
1931	74,250	336,000	410,250	11%
1933	4,500	991,500	996,000	21%
1935	-	2,319,088	2,319,088	50%
1937	2,280	2,566,058	2,568,338	48%
1939	124,350	2,598,537	2,722,887	49%
1941	4,790	1,399,408	1,404,198	35%
1943	150,400	264,799	415,199	11%
1945	41,612	792,546	834,158	17%
1947	1,415,112	539,545	1,954,657	28%
1948	1,960,937	568,320	2,529,257	40%

MR. BRAZIER: Q. "Off-shore" represents exports to other continents?

A Correct.

Shipments to Great Britain accounted for the bulk of the off-shore trade up to 1939, since when there have been limited shipments in 1941, 1943, 1944, 1945 and 1946. There were no purchases in 1947 and 1948, and it seems improbable that market will afford an outlet for British Columbia apples in the foreseeable future. Foreign export markets are becoming increasingly restricted, and the outlook is not encouraging.

It may be opportune to remark briefly on the

noteworthy expansion of our trade with the United States in 1947 and 1948. This trade is regulated largely by "round-table" agreement between Canadian and United States apple producers, with the concurrence of the federal agricultural agencies of both nations, and takes cognizance of the crop and market prospects at the outset of each marketing season. All producing areas are represented. It is accepted that Canada must have an export outlet, and that the lack of important off-shore markets compels the utilization of United States markets. Such utilization is conditioned upon market demand at acceptable prices -- that is to say, in years of heavy home production and weak markets, Canadian growers could not compete with American home-grown supplies, having regard to cost of production, transportation and customs tariffs.

While there has been an attractive volume of shipments in the last two years, this has not compensated for the loss of the British market, as the tastes of the two markets are widely divergent as to varieties, grades, sizes; and fruit which was readily saleable to importers in the United Kingdom finds little acceptance in the United States or in Canada. The development from an overseas to an American area of distribution will entail considerable readjustment in production, packing and marketing arrangements of the Association's membership and emphasis on top-grades and selected sizes of only a few well known varieties.

FEDERAL AID:

The loss of off-shore export markets has been a catastrophe of major proportions to the fruit growers of Nova Scotia and British Columbia, more particularly the

former, and in their delemma Federal aid has been provided liberally. The concern shown by the Federal Government can mean nothing else than that the fruit-growing industry has an important place in the national economy and must be preserved.

FREIGHT RATES:

From its earliest years the industry has borne the burden of geographic separation from its primary markets. Unlike the fruit areas of Ontario, whose markets are practically at the door, Okanagan fruit must surmount a transportation barrier of at least 250 miles-Vancouver, 350 miles-Calgary, 1200 miles-Winnipeg. During fully half its history, cost of transportation has taken a larger share of the consumer's dollar than that accruing to the producer of the fruit. There are shown hereunder the progressive freight rate increases on our products to markets in western Canada:

		<u>Peaches, etc.</u>	<u>Apples Pears</u>	<u>Vegetables</u>
Kelowna to Calgary	1915	.85	.58	.33
	1918	1.065	.725	.415
	1922	1.04	.71	.42
	1948	1.26	.86	.51
Kelowna to Regina	1915	1.00	.75	.48
	1918	1.25	.94	.60
	1922	1.50	1.13	.66
	1948	1.82	1.37	.80
Kelowna to Winnipeg	1915	1.00	.75	.53
	1918	1.25	.94	.665
	1922	1.50	1.13	.74
	1948	1.82	1.37	.90

Rates to other territories have increased correspondingly, with resultant increase in the burden of

transportation costs arising from the geographic remoteness from the principal market areas.

Not only has transportation extracted a disproportionate share of the market value of our products, but these products have borne and still bear a disproportionate share of the national transportation bill. That is to say, fruit rates are excessive when measured by rates on other classes of railway traffic. The cancellation of the outrageous Mountain Differential will not wipe out the discriminatory conditions belabouring the fruit producer, inasmuch as other commodities will receive similar relief, and so all will be in relatively the same position as to that particular point.

Fruit classifications were established long ago, and predicated upon perishability factors which are not now operative. There has been outstanding progress in packinghouse handling, cold storage facilities, railway equipment, so that there is not today inherent in fruit shipments the transit hazard which may have warranted the high classification formerly. Especially is this true of apples and pears, and we are strongly of the opinion that both classification and rates should be revised accordingly. We commend this phase of our transportation problem to the earnest attention of the Commission.

The principle of the mountain differential has brought other unfair impositions on traffic to and from British Columbia, fruit included. Charges for protective services (refrigeration and heating) are on a higher basis than assessed on traffic originating in Ontario and destined to Western Canada, in fact, charges for all accessorial services are less in eastern territory than in

British Columbia. Carlot rates are granted on smaller loads in and from Ontario than from British Columbia. The preferential treatment accorded the Ontario grower would, if available to our growers, facilitate usefully the marketing of the products of the fruit areas of this Pacific province. Typical examples of such preferential treatment are shown in Appendix "B"

Similar preferential treatment in Eastern Canada of the patrons of the railways is revealed in charges on Express traffic, of which a few examples follow:

Berries and Cherries
Minimum Carload Weight 18500#

	<u>Carload</u>	<u>L.C.L.</u>
Grimsby, Ont. to		
North Bay (283 m.)	.95	1.20 per 100#
Montreal (391 m.)	1.00	1.15
Cochrane (536 m.)	1.50	1.90
Fort William (866 m.)	1.95	2.60
Saint John, N.B. (872 m.)	1.60	2.15
Halifax, N.S. (1100 m.)	1.70	2.25

Berries and Cherries
Minimum Carload Weight 18500#

	<u>Carload</u>	<u>L.C.L.</u>
Kelowna B.C. to		
Calgary (387 m.)	2.20	2.40
Regina (862 m.)	2.45	3.30
Winnipeg (1219 m.)	2.65	3.70

Note particularly the respective Montreal/Calgary and Saint John/Regina rates.

An authoritative student of transportation said recently "Every traffic carried should be compelled to bear the full out-of-pocket costs of its movement, Unless it does it must be bonused by the other traffics." We subscribe wholeheartedly to this dictum. There are wide-spread instances of departure from this principle, and it is our opinion that high rates on British Columbia fruits and vegetables, and high rates generally in the West, constitute a form of subsidization of the freight



traffic of preferred areas, and preferred commodities. If subsidization be nationally necessary and advantageous, it should be supported by the nation from federal revenues and not by the imposition of higher rates on the commerce of the people of British Columbia and Western Canada. The Maritimes Freight Rates Act and the Feed Grains Freight Assistance Order (PC 8989) exemplify this policy, and imply a recognition by the Federal Authority that the transportation burden is unequally distributed and can be insupportable as to certain areas and products.

In leaving this matter of preferential rates it may be noted that the fruit and vegetables for which such rates have been provided move mainly by truck and very little by rail, where ^{as} the same products of the soil originating in British Columbia move almost exclusively by rail at rates which would be prohibitive except for the present buoyancy of consumer demand. Any material recession in this respect would immediately curtail the railways' revenues from this lucrative traffic.

TRANSCONTINENTAL RATES:

In the United States transcontinental rates on western fruit and vegetables are the same to Vanceboro, Maine, as to Albany, New York and Boston, whereas Canadian transcontinental rates do not reach beyond Montreal (with few exceptions), shipments destined beyond being assessed an arbitrary over the Montreal rate. For example -- apples, carloads, Kelowna to Vanceboro, Maine, rate \$1.89 per 100 pounds; Kelowna to McAdam, N.B. 6 miles farther, rate \$1.96 per 100 pounds. The rates to Saint John and Halifax exceed the McAdam rate. We consider that carlot rates on fruit and vegetables to Montreal and Quebec should apply

through to the Maritimes.

FREIGHT RATE REVIEW:

It will be observed from the foregoing that of all the provinces, British Columbia is the alone one in which no alleviation of the geographic handicaps is provided. In New Brunswick, Nova Scotia, Newfoundland, and Prince Edward Island, the Maritimes Freight Rates Act provides Federal subsidization of transportation costs. In Quebec and Ontario, water and truck competition are charged with responsibility for the low rates enjoyed throughout those provinces, even in areas far removed from navigable waterways. Incidentally, the usefulness of the waterways has been enhanced by the construction of costly canals by the Canadian people, canals for which the people of Western Canada helped to pay, and now find used as an argument for low freight rates in the territory served by the facilities. In Manitoba, Saskatchewan, and Alberta, low rates on their major industry are maintained in return for a gift from the national domain (in Alberta and British Columbia) to the railway. When an expanded outlet was required for Alberta coal the Federal Treasury made an important contribution to the transportation costs. Only British Columbia, already saddled with the highest basic class rate scale in Canada, was additionally embarrassed with the mountain differential, recently condemned by the Chief Commission^{er} and its elimination ordered by the Transport Board.

If I may insert something here, Mr. Chairman, it is very interesting to discover in eliminating the mountain differential some of the rates on fruit and vegetables are being increased.

The railways have taken full advantage of British

Columbia's mountainous characteristics to assess all the traffic will bear, and more. There are no long-distance navigable rivers; no national long-distance all-weather highways -- Commercial freight traffic is prohibited the use of the Trans-Canada highway through the National Parks area.

The Commissioners will not be unmindful of, and the people of Canada should never forget, the fabulous contribution in cash and lands to the Canadian Pacific Railway Company, a contribution from which the railway has profited in immense degree, and continues to reap a rich harvest. The value of the mineral rights of large sections of those land-grant acres staggers the imagination. To what degree do the people of Canada today benefit from the income of the railway from this source?

SUMMARY

To sum up, the position taken by this Association is that basic class and commodity rates, and express rates, should be uniform throughout Canada;

That departure from the basic scale to meet competition of other forms of transportation, or afford wider distribution, should be subject to specific authorization of the Board of Transport Commissioners;

That rates fixed by statutory enactment be returned to the jurisdiction of the regulatory authority, and the preferential treatment of commodities affected thereby be discontinued;

That railway carriers be required to publish through international rates and/or appropriate proportional rates to border points to foster the development of trade with all sections of the United States;

Mr. Ewer

That charges , for accessorial services be uniform throughout Canada;

That prior to the adoption and publication of rates on commodities in which they may be interested, affected shippers be given an opportunity to express their views relative thereto.

Finally, we respectfully suggest there should be study of the national railway legislation of the United States, with the view of adding to the Canadian Railway Act such of the American provisions as may enhance the usefulness of the regulatory authority in the public interest, and avoid overemphasis of what must be largely the one-sided views of those concerned primarily with the interests of railroad transportation.

Respectfully submitted on behalf of the British Columbia Fruit Growers' Association by its Transportation Committee.

H. B. EWER,
Traffic manager,
B.C. Tree Fruits Limited.

L. R. Stephens,
Secretary,
Okanagan Federation
Shippers Assn.

APPENDIX "A"

Mr. Ewer

APPLES:

Boxes (40# net)

Year 1913 -	465,412		
1917	1,502,921	- 5 year average	960,202
1918	1,343,450	-	boxes
1922	3,186,525	"	2,339,787
1923	3,338,053		
1927	3,238,476	-	" 3,171,769
1928	4,370,819		
1932	5,175,435		4,024,474
1933	4,820,308	"	
1937	5,849,971		5,172,847
1938	5,594,345		
1942	5,351,940	"	5,359,434
1943	3,798,577		
1947	6,867,433	"	6,484,694
1948	6,283,648		

PEARS:

Boxes (45# net)

Year 1920 -	129,000	Year 1935 -	251,172 boxes
1922 -	103,000	1937 -	286,960
1924 -	81,000	1939 -	329,193
1926 -	143,000	1941 -	419,474
1928 -	170,000	1943 -	323,130
1930 -	148,000	1945 -	550,972
1932 -	139,000	1947 -	608,021
1934 -	234,000	1948 -	559,006

PLUMS AND PRUNES: (Packages, average 15# net)

	<u>PLUMS</u>	<u>PRUNES</u>	<u>TOTAL</u>
Year 1915 -	Not segregated.		238,364 pkgs.
1917	"	"	222,461
1919	"	"	334,283
1921	"	"	376,801
1923	"	"	353,866
1925	"	"	97,191
1927	"	"	234,870
1929	"	"	241,060
1931	"	"	209,510
1933	"	"	244,737
1935	83,419	274,101	357,520
1937	79,595	229,630	309,225
1939	90,821	331,807	422,628
1941	110,604	554,679	665,283
1943	84,653	485,731	570,384
1945	152,569	889,310	1,041,879
1947	168,158	877,280	1,045,438
1948	150,813	822,495	973,308

PEACHES:

		(Packages 18# net)	
Year		Year	
1915	- 158,323	1933	- 209,590 pkgs.
1917	- 96,250	1935	- 124,624
1919	- 171,007	1937	- 401,698
1921	- 138,481	1939	- 503,389
1923	- 111,744	1941	- 694,517
1925	- 3,032	1943	- 496,900
1927	- 102,121	1945	- 1,601,881
1929	- 120,246	1947	- 1,934,840
1931	- 118,412	1948	- 1,937,610

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APPENDIX "B"

	Apples & Pears	Peaches, Plums, etc.	Vegetables (8th class)
To Winnipeg			
From Kelowna B.C. (1210 m.)	1.37	1.82	.90 per 100#
Minimum carload weight	30/35000#	24/30000#	30/36000#
From Grimsby (1262 m.)	1.21	1.51	.97
Minimum carload weight	30000#	20000#	24000#

	Potatoes
From Kelowna, B.C. (1210 m.)	40000#
From Fredericton, N.B. (1867 m.)	90¢ per 100#
	93¢

* An example of preferential treatment. If the rate from Fredericton is a just and reasonable rate then that from British Columbia, a haul 35% shorter, is unjust and unreasonable.

(x) Kelowna to Banff (305 m.)	.87 per 100#	Peaches, etc.
	.59 " "	Apples
(x) Hamilton, Ont. to Pembroke (305 m.)	.35 " "	Peaches, etc.
	.325 " "	Apples
(x) Vancouver, B.C. to Banff (559 m.)	1.28	Peaches, etc.
	.86	Apples.
(x) Grimsby, Ont. to Quebec (551 m.)	.58	Peaches, etc.
	.54	Apples

(x) These figures are exclusive of 21% increase.

Similar discrimination will be noted in the undermentioned comparative rates on canned fruits and vegetables:

Chatham, Ont. to Ottawa	426 miles	45¢ (winter)	Load	
Kamloops to Fernie	421½ "	77¢	30,000#	
			24,000#	or
			40,000#	
Petrolia, Ont. to Montreal	500 "	45½¢ (winter)	30,000#	
Kamloops to Edmonton	510.4 "	90¢	24,000#	
		72¢	40,000#	
Chatham, Ont. to Woodstock, N.B.	952 miles	50¢ (Apr. 15 to Nov. 30)	30,000#	
Penticton to Saskatoon	908.4 "	1.17	24,000#	
		1.14	40,000#	
		1.04	60,000#	
Chatham, Ont. to Moncton	1,124 "	.50 (Apr. 15 to Nov. 30)	30,000#	
Penticton to Yorkton	1,109.7 "	1.31	24,000#	
		1.17	40,000#	
		1.04	60,000#	
Windsor to Middleton, N.S.	1486 "	.50¢ (Apr. 15 to Nov. 30)	30,000#	
Mission to Winnipeg, Man.	1422.7 "	1.71	24,000#	
		1.42½	40,000#	
		1.26½	60,000#	
Chatham to Yarmouth, N.S.	1554 miles	.50¢ (Apr. 15th to Nov. 30)	30,000#	
Vernon to Fort William	1595.2 "	1.76	24,000#	
		1.42½	40,000#	
		1.26½	60,000#	
Chatham to Thetford Mines, Que.	678 m.	45¢ (Apr. 15 to Nov. 30)	30,000#	
Mission to Fernie	630.2 m.	1.04	24,000#	
also		1.04	40,000#	
Mission to Lethbridge	726.5 m.	1.12	24,000#	
		1.12	40,000#	
Chatham to Truro, N.S.	1248 m.	.50 (Apr. 15 to Nov. 30)	30,000#	
Mission to Yorkton	1279.4 m.	1.58	24,000#	
		1.42½	40,000#	
		1.26½	60,000#	

(Page 2820 follows)

Q. You have two appendices to your brief, Mr. Ewer, would you like to make any comment with regard to them?

A. Appendix "A" shows merely the growth and development of the production of the interior down through the years.

Q. And it has been a fairly steady growth, except for the period of the depression in the thirties?

A. Even in the depression years, trees kept up their work and as to the other appendix, I think the figures are largely self-explanatory.

Q. They are certain rate comparisons between British Columbia rates and Ontario rates; is that correct?

A. Their purpose is to indicate the disparity in the east and west.

Q. Could you tell the Commission, approximately, the percentage of the Canadian apple crop which is grown in the Okanagan?

A. Roughly, I believe, we produce 50 per cent of it. Nova Scotia is the second important producing area, then Ontario and Quebec.

Q.
THE CHAIRMAN: Which is the second?

A. Nova Scotia; and then Ontario and Quebec, which are in the third position as to production. I am speaking, of course, from memory.

THE CHAIRMAN: Are there any questions?

CROSS EXAMINATION BY MR. FRAWLEY

MR. FRAWLEY: Q. Would you turn to page 4 of your brief, please, Mr. Ewer. I want to put on the record that these rates are on a ton-mile basis, just some of them, just the current rates such as Kelowna to Calgary, \$1.26 for

peaches and plums; and my calculations show that that is a $6\frac{1}{2}$ cent a ton mile. Is that correct?

A. That is substantially correct, I think.

Q. And Kelowna to Regina is \$1.82 per cwt; and my calculation shows it is about $4\frac{1}{2}$ cents?

A. Roughly, that is about right, I think.

COMMISSIONER INNIS: Q. These rates are for 100 pounds?

A. Yes. Unfortunately, that fact was omitted.

THE CHAIRMAN: What are the details?

MR. FRAWLEY: Per 100 pounds, Mr. Chairman.

THE WITNESS: Unfortunately, the 100 pounds was omitted from the stencil.

COMMISSIONER INNIS: You mean cents per 100 pounds for the distance?

MR. FRAWLEY: Yes; Kelowna to Calgary is \$1.26 a hundred; and these mileages which are used are the mileages shown also in Mr. Ewer's brief on page 6.

THE CHAIRMAN: Kelowna to Calgary is what?

MR. FRAWLEY: Kelowna to Calgary is 387 miles; and the mileage from Kelowna to Regina is 862 miles; and Kelowna to Winnipeg is 1219 miles. Now, with these mileages, and using the 100 pounds that you gave us, you say that $6\frac{1}{2}$ cents is the ton rate for Kelowna to Calgary; $4\frac{1}{2}$ cents is the ton rate from Kelowna to Regina; while from Kelowna to Winnipeg, the ton rate is 2 cents and a fraction, back almost to 3 cents. Is that right?

A. I think those are substantially correct.

Q. Now then, you say that the railway is content to carry the fruit, this kind of fruit; and will you let me go

through and put on the record the ton-mile rates for the other commodities listed on page 4. Going to apples and pears I suggest to you that the ton-mile rate, Kelowna to Calgary, is $4\frac{1}{2}$ cents. Is that about right?

A. I believe so.

Q. And Kelowna to Regina is $3\frac{1}{6}$ cents?

A. Yes.

Q. And Kelowna to Winnipeg is $2\frac{1}{4}$ cents?

A. Yes.

Q. And turning to the other group, "vegetables," I suggest to you that the ton-mile rate Kelowna to Calgary is $2\frac{2}{3}$ cents; the ton-mile rate ^{Kelowna} to Regina is 2 cents a ton mile; and the rate from Kelowna to Winnipeg is $1\frac{1}{2}$ cents per ton mile?

A. Yes.

Q. Now then, Mr. Ewer, with those ton-mile notes to amplify the statement on page 4, will you tell me why the railway thinks that it is fair, and not discriminatory, to charge $6\frac{1}{2}$ cents ^{Kelowna} to Calgary on peaches and plums, while they are willing to carry them from Kelowna to Winnipeg for just about less than one half, or about 3 cents a ton mile?

MR. EVANS: Surely you do not expect him to answer why the railway does it?

THE WITNESS: I was just going to crawl out of that one, Mr. Evans. I could not answer for the railways.

MR. FRAWLEY: Q. Well, with or without Mr. Evans' interruption, what do you say about the justification for that difference in the ton-mile rates?

A. You cannot possibly take the lowest factor you can find and determine the fairness of the shorter distances, can you?

Q. Q. What do you mean?

A. You are taking the extreme here. If the rate progressed in strict conformity with the mileage, where would we end?

MR. O'DONNELL: Yes!

MR. FRAWLEY: Q. You say that effect must be given to tapering?

A. If they did not do so, where would the shipper of any province find himself, if the rate progressed by miles?

Q. I understand that you say effect must be given to the tapering?

A. That is correct.

Q. Then will you look at table 4 and tell me where the tapering is, when Regina pays \$1.50,^{or} just keeping to the same current rates and not going back into history; Regina is paying \$1.82, while Winnipeg, 400 miles further, pays \$1.82. Is there any tapering there?

A. In other words, the rate is blanketed over certain areas.

Q. You say the rate is blanketed over certain areas. And I am told it is blanketed back to Morse in Saskatchewan, which is 471 miles, according to the Canadian Pacific timetable, 471 miles east of Winnipeg?

A. No, west of Winnipeg.

Q. Yes, west of Winnipeg. And if Morse is correct, and I think Morse is the place where the blanket starts, is it not?

A. I think so.

Q. That means then, that the Canadian Pacific is carrying it from Morse to Winnipeg for nothing.

MR. O'DONNELL: No! For the rate.

THE WITNESS: I cannot speak to that at all.

MR. FRAWLEY: Q. Is the fact then: We get away from Regina 862 miles and go to Morse, which is a station between Swift Current and Moose Jaw, and we find the same rate of \$1.82 applies on peaches and plums at Morse.

A. Yes.

Q. And if the same rate which applies at Morse applies at Winnipeg, why would it be surprising when I say that the fruit is being carried from Morse to Winnipeg for nothing?

MR. O'DONNELL: It is being carried for the same rate.

THE WITNESS: Now, Mr. Frawley, I did not build these rates, and I am not familiar with their background.

MR. FRAWLEY: Q. But we can assume that the rate to Morse of \$1.82 is a fair rate?

A. Yes, that is true.

Q. Because to Calgary it is \$1.26. Now then, why should there be a blanket, in other words, from Morse to Winnipeg? Do you know anything about the existence of it?

A. That is a question for the railways to answer, who are better qualified to do so than I am.

Q. Did you ever receive an explanation, as director of traffic for this large organization, why American fruits tried to get into Winnipeg, and that had something to do with it? Did you not know that American fruit from Wenatchee in Washington state had something to do with the establishment of that blanket for the Okanagan fruit?

A. The Wenatchee area, having been the senior area, I would think that whatever adjustment was made on behalf of

Okanagan was made to enable them to meet that American competition.

Q. Is there any Wenatchee fruit going to Winnipeg now?

A. Mr. Abbott has so arranged things today that there is none.

Q. But was there, at some time?

A. Until, during the period of the austerity program.

Q. Was Wenatchee ^{fruit} going into Winnipeg in full competition with the Okanagan fruit up until Mr. Abbott's austerity program?

A. To a very severe extent.

Q. What would you say would be the comparable tonnage of Okanagan apples versus Wenatchee apples in the Winnipeg market?

A. Those are figures which I have not got with me today.

Q. But the Okanagan tonnage would greatly outweigh the Wenatchee tonnage, would it not?

A. It would not be the apple which would be in the predominant position; it would be the other fruits.

Q. I was talking about peaches and plums. Would you say there were as many Wenatchee peaches and plums sold in the Winnipeg market as there were Canadian peaches and plums, before the austerity program?

A. No.

Q. You think it would be a very small percentage?

A. Not a very important percentage, not one which had the influence on the market of, possibly, the Ontario products. If you knew the situation, you would know that the Wenatchee fruit had a very serious impact on the marketing of the Okanagan product in Western Canada.

Q. And you say that is why you have this blanket?

A. That is one of the reasons.

Q. And it has been there for how long?

A. It has been there 34 years anyway; and that precedes or antedates my experience with Okanagan traffic.

Q. What would it look like translated into ton miles; has it ever been the study of any negotiations between you and the railways looking towards a cheaper rate to Calgary?

A. No, I can say it has not, Mr. Frawley.

Q. Now, will you look at pages 5 and 6, right at the bottom of page 5 you say: that fruit is carried from Grimsby to Montreal, a distance of 391 miles for \$1; and at the top of page 6 one sees that the same freight is carried from Kelowna to Calgary, a similar distance of 387 miles, for \$2.20 per carload. Now, turning that into ton miles, this is what it looks like: The ton-mile rate on the Grimsby to Montreal movement is just about 5 cents a ton mile. Do you agree with that?

A. Yes.

Q. While the ton-mile rate on the movement from Kelowna to Calgary is more than twice as much, namely 11 cents. And at the top of page 6, the \$2.20 carload rate works out to 11 cents a ton mile. Have you ever given any thought to these ton-mile rates, putting one in apposition to the other?

A. These figures only came to my notice very recently, and we have not had an opportunity to pose questions to the express department.

THE CHAIRMAN: This is a competitive rate?

MR. O'DONNELL: Grimsby to Montreal is either a motor truck, or water competitive, or both.

THE CHAIRMAN: This is a competitive rate?

MR. O'DONNELL: Yes; but they are not comparing like with like at all.

MR. FRAWLEY: We are comparing the rates which move the traffic, which is fruit, in one instance, from Kelowna to Calgary, for \$2.20; and the rate which moves it, that fruit, from Grimsby to Montreal, namely, \$1.

MR. O'DONNELL: Kelowna to Calgary is not a truck rate.

MR. FRAWLEY: I know all that. There is no highway between Kelowna and Calgary, - oh, yes, there is; just a minute; you can go from Kelowna to Calgary by truck, if you are sufficiently pioneering.

THE WITNESS: Yes.

MR. FRAWLEY: Q. And you have to traverse a part of the national parks?

A. Yes.

Q. And what is the rule with regard to the national parks?

A. As we stated here.

Q. You cannot take a commercial vehicle through a national park?

A. You cannot carry commercial freight through a national park.

Q. So P.S.V. traffic could not take up freight at Kelowna and move it into Alberta?

A. No.

Q. Because the national parks say: We don't want you travelling through here?

A. Yes.

Q. That is a pretty effective way to stabilize competition, is it not?

A. It works that way, but whether that was the purpose or not, I would not like to say.

MR. SINCLAIR: It may be that the tourists had something to do with it.

MR. FRAWLEY: The province of Alberta is not regarding it light-heartedly, at any rate, Mr. Chairman; and we will, at some time, be making further submission to the Board about it.

The national parks will say: Keep your commercial vehicles out of the park; and, unless you go down into and through the United States, you cannot proceed with freight from Kelowna to Calgary. And in addition, until very recently, we had another regulation, that a truck could not be a bonded carrier. It took a Geneva Conference to remove that obstacle, but it has now been removed. But speaking of the national parks, you cannot travel commercially between Alberta and British Columbia through the National parks with freight traffic.

THE WITNESS: That is right.

MR. FRAWLEY: Q. You cannot travel commercially between Alberta and British Columbia through the national parks, not with freight traffic. Now, at the bottom of pages 5 and 6, do you mean general eastern rates or the rates themselves which have only recently come to your attention?

A. The rates themselves; that is, the eastern rates. We have the other tariffs on file at our office.

Q. Using the same figures that you have, that same table

on page 6, and just looking at the way in which the ton-mileage rate discriminates against Calgary, one finds that the rate from Kelowna to Calgary is 11 cents.

MR. EVANS: You told him that.

MR. FRAWLEY: No, no.

MR. FRAWLEY: Q. Mr. Evans says that I told you that. But I understood you to say that you agreed with me. You people ^{should} / have them just like that, with a snap of the fingers, just calling them off as I mentioned them. Eleven cents, you say, is the ton-mile rate from Kelowna to Calgary?

A. That is patent. My personal feeling is that the figures speak for themselves, the figures of so much per 100 pounds.

Q. Well, I have a purpose in asking you, be it good or bad. I just like to get it into the record because I may want to refer to it at some time. You say the ton-mile rate from Kelowna to Calgary is 11 cents. Now, taking the rate from Kelowna to Regina of \$2.45, these are express rates, and I say that it works out to just a little over 5 cents a ton-mile?

A. That is right.

Q. And the rate from Kelowna to Winnipeg of \$2.65, works out at 4-1/3 cents approximately?

A. That is right.

Q. Did you ever have occasion to discuss, as traffic manager of this big fruit organization - to discuss it with the express company, when it wanted 11 cents a ton mile as rate on these fruits to Calgary and was content with something under half to Regina, and, of course, very much under

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half to Winnipeg?

A. Well, Mr. Frawley, I think you come back there to the same thought you raised with regard to freight rates. You cannot pick the lowest one and call that a criterion for the shorter mileages.

Q. But do you not think that the ton-mile rate is a perfectly good guide? There may be other considerations, but isn't it a very important one?

A. Well, not over wide areas; you cannot take the lowest one and apply it over a wide area, as the mileage increases.

Q. But when you look at it in tons, they are getting \$53 per ton to take this fruit to Winnipeg, and \$49 to take it to Regina; and they are getting \$44 a ton to take it to Calgary?

A. All right.

COMMISSIONER INNIS: Q. Have you any figures on the rates from Grimsby to Winnipeg?

A. Not with me, Mr. Commissioner.

Q. You don't know how far it is a competitive point as between Grimsby and ---

A. No. As to these rates, my impression is that they were not determined with respect to eastern competition, speaking of these express rates.

MR. FRAWLEY: Q. Now, Mr. Ewer, a couple of general matters I wanted to ask you about ---

COMMISSIONER INNIS: Q. You are not disturbed, then, in Winnipeg by Ontario competition?

A. Not in commodities that move by express.

THE CHAIRMAN: Q. Are all these rates given express rates?

A. Mr. Chairman, these on the foot of page 5 and the top of page 6 are express. The paragraph states that it is charges on express traffic, and, the information only having come into my hands, I thought the disparity or contrast was of sufficient interest to write into this submission.

MR. FRAWLEY: Q. Mr. Ewer, you interpolated a remark at the foot of page 7 that, while the mountain differential is going off on the 1st of July, you have found that other fruit rates or some fruit rates are being increased; would you tell us, please, what those fruit rates are, between what points and what rates?

A. Well, I find, Mr. Frawley, that this blanket on apples which formerly extended from Morse to Port Arthur -- to Fort William ---

Q. To Fort William it extended?

A. I have got them both wrong; I want to get back to Winnipeg. Western Canada is Fort William-Port Arthur, but the blanket terminates at Winnipeg and the \$1.37 which formerly applied from Morse to Winnipeg on apples has apparently been

discarded in the new rates which purport to eliminate the mountain differential. We have \$1.15 at Moose Jaw, \$1.26 at Regina.

Q. Let us look at this. On page 4, you have there Kelowna to Regina, \$1.82.

MR. EVANS: That is peaches.

MR. FRAWLEY: Q. That is peaches, plums, apples and pears, \$1.37. Tell us what it means with respect to these three?

A. Let me put down here, if you will, the new situation, and I will have it right in front of me.

Q. Now, Mr. Ewer, you are looking at page 4, and you were going to give us what the rates will be on these commodities after the mountain differential has been taken off?

A. Yes.

Q. Now, can you give it to us with respect to each of the three groups:

A. As to Calgary?

Q. As to Kelowna to Calgary?

A. The new rates are to be \$1.05.

Q. That is on peaches and plums.

A. Yes. 71.

Q. \$1.05?

A. 71.

Q. 71 on apples and pears?

A. And 46 cents.

Q. And 46 cents on vegetables. Kelowna to Regina?

A. \$1.85, \$1.26, 71 cents.

COMMISSIONER INNIS: Q. What is Kelowna to Regina

A. The three items:

Q. No, just the one item:

A. The last item, the vegetables, 71 cents.

Q. I mean the peaches?

A. \$1.85.

MR. FRAWLEY: Q. \$1.85; that has gone up.

A. That has gone up, yes. The apples and pears have gone down, \$1.26; vegetables have gone down 71 cents.

Q. Kelowna to Winnipeg, \$1.82?

A. Becomes \$2.24.

Q. This is the result of the removal of the mountain differential?

A. Yes.

MR. O'DONNELL: . Which they asked.

THE WITNESS: Apples and pears becomes \$1.49.

MR. FRAWLEY: A little poetic justice somewhere.

Q. What does it become?

A. \$1.49; and the 90 cents becomes 82. In between that, Regina and Winnipeg, Brandon comes in at \$2.11, \$1.42, 79 cents, so the principle of the blanket has been discarded as to some part of these rates. As I say, this only just came into my hands, and I am hardly in a position to evaluate the result.

THE CHAIRMAN: Q. Mr. Ewer, what figures do you give from Kelowna to Winnipeg I did not catch them.

A. \$2.24 on the fresh fruit.

MR. FRAWLEY: Q. Peaches and plums

A. Yes. \$1.49 and 82 cents, shows increases on the fruit and a decrease on the vegetables.

Q. I think you had started to explain this difference,

but, to get it on the record from a layman rather than a railway expert, will you tell us now what is your understanding as to the reason why in the movement Kelowna to Regina the peaches and plums go up from \$1.82 to \$1.85, and the apples and pears come down from \$1.37 to \$1.26, and the vegetables come down from 80 cents to 71 cents?

A. I do not think I should attempt to answer that, Mr. Frawley. These figures have only just come to me from Kelowna, and I do not know the answer, and even after I see the tariff I may still not know the answer.

Q. I think that is all, thank you, Mr. Ewer.

CROSS-EXAMINED BY MR. SINCLAIR

Q. Just on that point, Mr. Ewer, it might be helpful to the Commission, that as a result of the removal of the mountain differential the prairie scale has to be applied; that is correct, is it not? That is what they asked for?

A. I have just been trying to recall the Board's order. At the moment I have not got the wording in front of me. It is rather difficult to discuss this thing with this information coming to me in this form at this place. If I were sitting in Kelowna I would discuss it with you more easily.

Q. I realize that, Mr. Ewer, but the application was to remove the Pacific scale -- not to remove the Pacific scale, but to put the Pacific area on the prairie scale; that was the application?

A. To bring out the mountain differential.

Q. Which would have the effect of applying the prairie scale throughout?

MR. BRAZIER: The Board's order will speak for itself.

MR. SINCLAIR: Oh, quite.

THE CHAIRMAN: Mr. Sinclair, are you telling us now positively that these new rates which Mr. Ewer has given to us are rates which conform to the prairie scale.

MR. SINCLAIR: My lord, these are special commodity rates. While fruit is classified third and fifth, and vegetables eighth, they have special commodity rates that are below the distributing class rates, but generally speaking these commodity rates of course have a relationship to the class rate, so that when you take the prairie scale and apply it throughout the West, including British Columbia, there is a relationship into these commodity rates, and that is what I am instructed has been done, so that that is why when the mountain differential, as we said in Mr. Frawley's province, came off, some rates went up, some rates went down, because it was an application of the prairie scale of rates.

Q. Now, Mr. Ewer, I understand that the Okanagan produces the finest eating apples in the world; is that correct?

A. You are not trying to prejudice me with any of these Nova Scotians that are here

MR. O'DONNELL: Speak to Mr. Covert.

MR. SINCLAIR: Q. And as a result you are very jealous of the quality of these apples as they reach the hands of the consumer?

A. Right.

Q. And you have found that the Okanagan valley of British Columbia is particularly adapted to the growing of these Delicious apples?

A. It has been found so, yes.

Q. And as a result of that your production has substantially increased?

A. The record shows that, yes.

Q. And at the outset of your industry you first produced enough fruit to satisfy the local market and the West; that is what you say in your brief?

A. That is right.

Q. And as your production expanded you had to look for markets further afield?

A. That is there.

Q. Now, you developed a considerable market offshore in England?

A. Right.

Q. That is in your offshore figures; and as a result of difficulties in England, financial difficulties, exchange difficulties, you have lost this English market substantially in the last season or so?

A. Right.

Q. Now, could you tell the Commission, Mr. Ewer, what was the nature of the federal aid provided to your industry as a result of the loss of the offshore market?

A. In the case of British Columbia the Federal Government through its Department of Agriculture placed something of a ceiling -- something of a floor, I beg your pardon -- under a certain proportion of the crop in each of several years, varying provision in the varying years, depending I presume on the urgency of the position as our people were able to present it. This past season it was negligible.

Q. So as your ability to meet competitive markets elsewhere increased, the subsidy lowered, and vice versa.

A. It was not just tied in in that form, but ---

Q. Substantially ---

A. That is the development, at least that is the end result of it, yes.

Q. And because of the excellent organization of marketing facilities and publicity you have been able to meet competitive markets far from the scene of production; is that correct?

A. Right.

Q. So with an advantage of good salesmanship, careful marketing, good business and fine apples, the Okanagan has become quite famous as a fruit-producing centre in many places

A. Yes; you might even have included the railroad, mightn't you?

Q. I was leaving that for you, thanks, Mr. Ewer.

A. We like to give credit where credit is due.

Q. Thanks.

A. I have a lot of traffic friends sitting back here.

Q. Now, these special commodity rates that are given from the Okanagan -- Mr. Frawley was mentioning these -- are based on a level of rates existing from the Yakima Valley to St. Paul; that is correct? That is their historical connection, isn't it?

A. Well, you can make that statement; I am not in a position to acknowledge it.

Q. As a result of these special commodity rates the fruit growing industry of the Okanagan has enjoyed substantial reductions from the distributing class rates

A. Well, now, let us look at that.

Q. Well, if I am wrong I know you will correct me.

A. I have forgotten for the moment your name -- Mr. Sinclair. In our presentation to the Board in the 30% case, to which, as I recall, Mr. Evans unkindly took exception, I showed the comparative rates from Vancouver to a number of places. He thought because I used Vancouver I was attempting to evade some advantage we had in the Okanagan. Your traffic officers will tell you these rates are all taken from the one tariff. The commodity rate from Vancouver to Banff on apples was 86 cents, and your prairie distributing rate for a corresponding mileage was 77 cents, so we have not got prairie distributing rates as commodity rates.

Q. Yes, but that was the mountain differential.

A. Now, unfortunately, again, these Vancouver figures do not help me to evaluate these new mountain differential, alleged mountain differential, elimination rates.

Q. I think it will make me feel better if you do not use that expression "alleged removal" all the time, Mr. Ewer, because that rather bothers me a little bit.

A. I know, but I am a bit disturbed when I find these increases that have popped up.

Q. I see. Well, some people when they ask to have things removed find out that they are not quite as rosy on the other side of the street.

A. Well, it could be; distant fields are always green.

Q. Now, if you would not mind, Mr. Ewer, turning to page 4 of your brief ---

A. Just in case anybody is worrying about my drinking all this water, I was not with the advertising folks last night. What page?

Q. Page 4 of your brief, Mr. Ewer. That table you show there, Mr. Ewer, -- Mr. Frawley has been talking of

it -- these peaches are third class, are classified as third class?

A. Right.

MR. FRAWLEY: Third-class peaches, you mean?

MR. SINCLAIR: Of course not, in the Okanagan, Mr. Frawley.

Q. They are classified under the Freight Classification as third class?

A. Right.

Q. And the apples and pears are classified fifth class?

A. Correct.

Q. And the vegetables are classified as what?

A. I am not afraid of that one.

Q. Oh, I know.

A. Fifth and eighth.

Q. And how do they travel?

THE CHAIRMAN: What are vegetables

MR. SINCLAIR: Fifth and eighth.

Q. How do they travel?

A. This rating here reflects eighth class.

THE CHAIRMAN: When you say fifth and eighth, it depends on the vegetable?

MR. SINCLAIR: Well, they classify vegetables on the tops, and peas and beans and the like move at fifth class, but other vegetables move at eighth class, but the rates here and the rates that are effective result in them all moving at eighth class.

THE CHAIRMAN: All the vegetables

MR. SINCLAIR: Yes, from British Columbia. I thought that would be of interest.

Q. Now, on page 4 you say that transportation is extracting a disproportionate share of the market value of the products. Now, Mr. Ewer, I suggest to you that the prices of peaches and apples have more than doubled since the 1935-1939 average; is that right?

A. Yes, you could be substantially correct. I presume you have some figures in front of you.

THE CHAIRMAN: Peaches and pears?

MR. SINCLAIR: Peaches and apples. The figures I have, my lord, are, peaches, average per bushel 1935-1939 average, \$1.44; in 1945, which is the last figure I have got, \$2.95; and apples, the average 1935-1939, per bushel, 79 cents.

MR. EVANS: 75 cents.

MR. SINCLAIR: 79 cents.

MR. EVANS: I have 75 cents.

MR. SINCLAIR: Well, it may be 75 cents; and 1945 was \$1.65.

THE WITNESS: These are the values at what place?

MR. SINCLAIR: These are the figures as shown in the Canada Year Book, and it is the all-Canada average, I would imagine -- in fact, I recall that it is.

THE CHAIRMAN: Are you also saying, Mr. Sinclair, that the freight rates have changed between the two periods, or have they not?

MR. SINCLAIR: Yes, the point I am making is that while the value of the product has increased to this extent, the freight rates have increased only the 21% that was granted by the Board.

Mr. BRAZIER: That I do not think is correct, Mr. Sinclair, as far as fruit and vegetables are concerned. Mr.

Ewer probably can correct me. They took out a rate that was in effect during the wartime, and added the 21% onto the old rate.

Q. Isn't that correct, Mr. Ewer?

A. Yes, sir.

MR. EVANS: An emergency rate.

MR. BRAZIER: An emergency rate.

THE WITNESS: It was the normal rate that was advanced.

MR. BRAZIER: So there were at least two increases as far as the apple people were concerned.

MR. SINCLAIR: Well, there were emergency rates in effect, and when these were no longer deemed necessary they were removed, and, as my learned friend Mr. Brazier says, it all depends what you take the 21% on; but there has only been a 21% increase on what I will call the normal rate.

THE CHAIRMAN: Not on the emergency rate.

(Page 2850 follows)

MR. SINCLAIR: No. As you know, Mr. Chairman, there was a very serious depression in agriculture which affected this province too, and the railways assisted agriculture in this time of adversity by special emergency rates.

MR. BRAZIER: And themselves.

MR. SINCLAIR: Quite so. Mr. Brazier says to me, "and assisted the railways themselves." I agree. We wanted to move the traffic. It was a mutual thing.

THE CHAIRMAN: You were not compelled.

MR. SINCLAIR: No, Mr. Chairman.

MR. FRAWLEY: It is just like Mr. O'Donnell's livestock rates. That is why they went down, so you could move them.

MR. SINCLAIR: We are in British Columbia, and we are dealing with fruit. We have left livestock behind for a little while. Let us proceed.

Q Do you know what the prices of peaches and apples are today?

A We do not announce prices for any commodity until it is ready for sale, and we have no peaches yet. Last year's apples are all sold, so we have got no apple prices.

Q What about last year? Let us take the figures for last year.

A Unfortunately I am not in a position to give you those figures.

Q But I think you said it is fair to say they are about double?

A They are higher than they were in the period 1935 to 1939, certainly.

Q In view of that, Mr. Ewer, it is rather hard to follow that transportation has extracted a disproportionate share of the market value of the product?

A There have been times when that was true, but it may not be true today.

Q In times of adversity and market fluctuation they sometimes get out of line. That is what you mean, for a short period, and when they get very bad you go to the railways and sit down, and as businessmen try to work out a proposition that is of mutual benefit?

A Very nicely put, but not the way I had thought of putting it.

Q If you will turn to page 5, Mr. Ewer, you are speaking there of the perishability factor, and you add that there have been certain improvements on the part of the shippers and the railways, and on those bases I understand you request lower rates and lower classifications. I presume that you know that a change in the classification - I know you do know - is a matter for the Board, that the Commission is not particularly concerned with specific rates? You knew that? You were just giving some information here, I presume? Is that right?

A I quite recognize, Mr. Sinclair, that this Commission has a totally different purpose than the Board of Transport Commissioners, and we may make suggestions to this Commission, not innuendoes, suggestions which we think they may be in a position to follow up and develop and adopt or discard as their judgment directs. That is the purpose to which some of these remarks are directed.

Q That is the purpose. I suggest to you, Mr. Ewer,

that the perishability inherent in fruit is not something for which the railways are liable?

A I did not say so.

Q That is correct, is it not?

THE CHAIRMAN: You say perishability is not something --

MR. SINCLAIR: The perishability inherent in fruits is not something for which the railways are liable. Under our contract of carriage under which the traffic is moved under standard conditions which are approved by the Board of Transport Commissioners the railways are not liable for inherent defects. Inherent in all fruit, of course, is the perishability factor varying with different types of fruit. That is the only thing.

THE WITNESS: I did not imply that here, did I?

MR. SINCLAIR: Q. Well, I don't know, Mr. Ewer.

A Not that the carrier was. I think the classification can reflect an estimate of perishability.

Q Not if we are not responsible for it, Mr. Ewer.

THE CHAIRMAN: Who stands the loss in case of actual perishing?

MR. SINCLAIR: If it is an inherent defect --

THE CHAIRMAN: Then the railways do not stand the loss?

MR. SINCLAIR: No.

THE CHAIRMAN: It is the shippers responsibility?

MR. SINCLAIR: Yes, as long as there is no negligent handling on the part of the carrier. The point I am trying to make is that the witness makes reference to the classification. I am suggesting to him that the

perishability factor was not an element in fixing the classification because we were not responsible for it at any time.

THE CHAIRMAN: That would then have a tendency to put the classification down, would it not, if you are not responsible?

MR. SINCLAIR: No. You see, we are responsible for handling, and when the classification was set - let us take the third class, classified as third class, peaches. It was the handling that was one of the factors that determined their classification. The inherent perishability of the traffic is not an element in determining the classification.

THE CHAIRMAN. It is not taken into consideration at all?

MR. SINCLAIR: No, because we have no responsibility.

THE CHAIRMAN: Then why do you raise it?

MR. SINCLAIR: At the top of page 5 he says that perishability --

THE WITNESS: I did not say inherent perishability.

THE CHAIRMAN: He says:

"Fruit classifications were established long ago, and predicated upon perishability factors...."
You say that is not the case?

MR. SINCLAIR: Yes.

THE WITNESS: This does not necessarily imply inherent perishability.

THE CHAIRMAN: But it is not actual perishing;

it is the perishability of an article.

THE WITNESS: That factor can be controlled in its handling whereas inherent perishability - and mind you, perhaps our minds do not just meet there, as Colonel Wheeler has said - an inherent defect is something that came along with the growth of the product. It is still a perishable product and can be ruined in transportation or ruined in the packing house. We distinguish the two classes of perishability.

MR. SINCLAIR: Q. Quite so. Therefore the perishable factor that affects the classification is the special type of equipment that is required to handle the traffic and to move it?

A Now you are switching from the product to the equipment.

Q I thought I had disposed of the question about inherent perishability.

A All right, we have that taken care of. That is the shipper's problem. It is transit perishability that is largely the problem that is in mind here.

Q I was distinguishing transit perishability as such perishability that is not inherent in the fruit. The classification reflects the cost of moving this traffic. That is one of the factors, is it not?

A One of the factors.

Q And the special equipment required to move it is one of the factors?

A I would hesitate to believe that is one of the factors in the classification.

Q And the special facilities required is one of the

factors?

A I cannot subscribe to that either.

THE CHAIRMAN: Are you talking of things that are specially required because of the articles being perishable?

MR. SINCLAIR: Quite so.

THE CHAIRMAN: Then you are assuming some responsibility for handling them.

MR. SINCLAIR: Under the Railway Act we must provide suitable equipment for moving the traffic.

THE CHAIRMAN: Yes.

MR. SINCLAIR: And fruit, of course, requires refrigeration at one time of the year and heat at another time of the year.

THE CHAIRMAN: Because it is perishable.

MR. SINCLAIR: Yes.

THE CHAIRMAN: Then perishability is one of the factors.

MR. SINCLAIR: It is not inherent perishability in the fruit. It is merely the fact that it requires expeditious movement; it requires to be kept at a constant temperature. These apples come out of cold storage plants, and if they are not kept under refrigeration they tend to drop in value. While you might be able to move apples for certain distances without having them constantly under ice, to keep the product up to a high standard Mr. Ewer requests refrigerated service, and the railways attempt to provide everything that he requests.

Q There is another factor in the handling of fruit, is there not, Mr. Ewer, and that is that it bruises easily

and requires rather careful handling?

A Within the shipper's premises, yes.

Q And also within the cars, too?

A Yes, the shipper places it in the cars.

Q And in the movement of those cars?

A Did you ever stand down in the yards and watch them?

Q Many times.

A And see what happens and listen to what happens?

Q Many times. It does require careful handling. That is the point I am making.

A It does not always get it. You acknowledge that.

Q Quite so, but it requires it.

A We know it requires it, quite true. We will not argue about that.

Q These are matters that I say all affect the classification of the traffic. Also on page 5, at the beginning of the first complete paragraph. You say:

"Charges for protective services (refrigeration and heating) are on a higher basis than assessed on traffic originating in Ontario and destined to western Canada, in fact, charges for all accessorial services are less in eastern territory than in British Columbia."

Mr. Ewer, no rental charge is made for refrigerator cars on anything classifying fifth class or higher in either the east or the west?

A Yes.

Q And rental charges for cars of vegetables which

take eighth class in British Columbia are the same in the west as in the east up to a thousand miles?

A You are telling me.

Q That is correct?

A You are telling me.

Q I am telling you, and that they are higher in the east for distances over a thousand miles?

A Are there many?

Q I am saying that for movements of over a thousand miles --

A You are stating that. I have not the tariff.

Q I am so instructed, Mr. Ewer, by our traffic officer.

A All right.

Q Now, ice and salt charges are higher in the west, and the reason for that, you will agree with me, is because those charges are based on cost?

THE CHAIRMAN: On what?

MR. SINCLAIR: Cost, the cost of the ice. The point is that the Board fixes charges for ice and salt. The Board has said that the railways are not to make any profit out of supplying ice and salt. They have fixed those charges, and they have investigated the matter very extensively, and have made studies of costs. As a matter of fact, the railways pay more for ice and salt right at the present time, not taking into account any loading and tamping of it and servicing of the car.

THE CHAIRMAN: You pay more in the west?

MR. SINCLAIR: Yes, than in the east, and British Columbia is an area where the cost of ice is high. Heating charges are higher from British Columbia than they are in

the east.

Q The reason for that, Mr. Ewer, is that you have carriers' protective service; that is correct, is it not?

A So designated.

Q And that carriers' protective service was put in at the request of the fruit growers of the valley?

A That is right.

Q And in the east they have standard heat and ventilation?

A You will let me interpolate right here - at rates that are not acceptable to the industry today. If you would like some history on that I will give it to you.

Q I am just dealing with the class of service.

A Correct; go ahead.

Q Under carriers' protective service a higher standard of service is given than under standard heat and ventilation, which is operative in eastern Canada? That is correct, is it not?

A No, I believe not.

Q Not a higher standard of service?

A Not as far as I know.

Q There is a higher degree of liability, is there not?

A I would not be too sure about that in actual practice.

Q The onus of proving negligence under standard heat and ventilation is on the person alleging it while under carriers' protective service the onus of disproving negligence is on the railways?

A I have had some very discouraging experiences with the freight claims department on carriers' protective

service.

Q That may be because the facts turned out that way, but I am talking about principles and the liability lying behind these matters?

A All right.

Q And under carriers' protective service operating out of the valley you have the option at the present time of ordering or not ordering it as you wish, and that results in higher charges, does it not?

A Yes, and if you could tell me - and I know you cannot - this would not be the place to do it - we are going to challenge the basis of charging.

THE CHAIRMAN: Q. Pardon?

A We intend to challenge that basis of charging as being unfair, unreasonable and inequitable.

MR. SINCLAIR: All I am doing - I know that the Commission is not interested in the specific charges. What I am trying to do is to deal with the principle of the difference between carriers' protective service and standard heat and ventilation, which is the service operative in eastern Canada. There is no doubt that Mr. Ewer has certain views on charges, but I am not dealing with them now.

THE CHAIRMAN: You must not assume too readily that we are not interested in knowing specific charges because we have been hearing about them ever since we have begun. We could not draw any conclusions if we did not have the facts.

MR. SINCLAIR: Very well.

Q Mr. Ewer, the charges for carriers' protective

service are based to a large extent on the cost of providing that service and the liability that the carrier incurs under it? That is correct, is it not?

A Those are the factors upon which they substantiate those charges.

Q It really is an American rule?

A Just a moment; I am glad you mentioned that. Did you ever compare the American charges with the Canadian charges?

Q Well, I know that the American carriers up until just recently have refused to extend carriers' protective service in certain areas of the United States, and that the Commission has ordered it in, and that the people down there were very high in their praise of the service being given here. Your competitors in the Yakima Valley appeared in Washington and tried to make the American carriers provide the same type of refrigerator service that was existing from the Okanagan Valley to other points. The type of equipment service given and the research work that was being done in co-operation with the railways were all commented upon by Mr. Groseclose of the Yakima Valley Producers Association.

A I think it is fair to say that they carry on more co-operative shipper-carrier tests than we do in Canada. The first point I was wanting to get hold of there was that I would like you to ask your traffic officers to give you the carriers' protective service charge from Washington shipping points to Sault Ste. Marie, Michigan, and at the same time the charge from British Columbia to Sault Ste Marie, Ontario. You will find that the Canadian charge

is practically double the American charge for the same service.

Q Is it compulsory in the United States or optional?

A It is optional just as it is here.

MR. EVANS: A different climate.

THE WITNESS: No different climate from North Dakota, Mr. Evans.

MR. SINCLAIR: Q. The point I am making is that this carriers' protective service which you have got is not effective elsewhere in Canada, and arose as a result of the request of the shippers, and is a matter that was under negotiation with you from time to time when the railways' rules were changed?

A Let us go back. I don't know.

Q Is it correct that you said "yes" to that?

A There is no C.P.S. in eastern Canada. I will agree with that.

Q And it is a matter of negotiation with the railways to bring this service into effect?

A I will not agree that shippers in eastern Canada have a less satisfactory experience under standard heat and ventilation when it comes to claims for damage in transit than we have under carriers' protective service.

Q You could secure standard heat and ventilation out of the Valley if you wished it, could you not?

A Over somebody's dead body, maybe.

Q You mean your shippers?

A No, I do not mean my shippers. Let us not start arguing over C.P.S. charges. I do not think that today we are getting anything beyond standard heat and ventilation

service irrespective of the charges we are paying. I think we are getting the same service in every case.

Q I am merely pointing out to the Commission the different aspects of liability, the differences between the services, and in view of the questions I have asked you I think you will agree with me that the words "all accessorial services" --

A "All" may have been used unfortunately there, but let us go back to icing, as long as we are examining heating and refrigeration. We have charges in western Canada, in British Columbia which are totally different to those on the prairies or in eastern Canada.

Page 2862 follows

Your traffic department will tell you whether or not there is a difference.

THE CHAIRMAN: Q. You mean a difference in the mountains?

A. A difference in the mountains. If we want a car at Kelowna initially iced to move without further icing we pay the tariff charge for the ice plus 20 per cent of the fixed standard refrigeration charge to the destination. At no place else in Canada does that 20 per cent factor enter into the refrigeration charges in the traffic.

MR. SINCLAIR: Q. Well, Mr. Chairman, the railways contend that the revenue from the ice does not meet, in any way, the cost of supplying that service.

A. Neither in British Columbia, Manitoba, or Ontario.

Q. Quite so; but a review of the charges is under the jurisdiction of the Board and that is a point I wish to make; and I know that Mr. Ewer agrees me with me on that.

MR. FRAWLEY: Have you tried to get any relief from the Board?

MR. SINCLAIR: We shall be on ice forever if we do not get forward.

MR. SINCLAIR: Q. Now, on page 6, you say that there are widespread instances of the departure from the principle of meeting out-of-pocket costs; and you claim that rates are higher on fruit and vegetables from British Columbia substantially fruit traffic of preferred areas; and when you say "widespread" can you help me and give me some specific example?

A. Why should I do that with all the traffic ability

that you have at your disposal?

Q. Well, you make the statement; and I know it would be of interest to the Commission and of interest to me; and I thought that maybe you could help me.

THE CHAIRMAN: Does Mr. Ewer mean to say here that in some parts of Canada this particular traffic is being carried at less than out-of-pocket costs?

MR. SINCLAIR: I can only read that into it, Mr. Chairman.

MR. CHAIRMAN: Q. Is that right, Mr. Ewer?

A. I think that is quite evident, Mr. Chairman, in some of the figures, where traffic is carried, and where there is such a noticeable disparity between the rates over certain distances into areas of notable disparity; and one can only reach the conclusion that one of those rates has been borne down to a point where it cannot possibly be remunerative.

Q. Have you inquired, in your own mind, why this is being done? Why the railway would carry traffic anywhere at less than out-of-pocket costs? Would it be done to meet competition?

A. Very probably, to meet competition. But my feeling is that there must be a point where you must stop meeting competition, where you are no longer an economic means of transportation.

Q. Yes. I think that Mr. Walker, the Chairman of the Canadian Pacific Railway, when he was at the opening meeting, expressed the views of his company with respect to meeting competition, and when he said it must never be at less - that the lower rate must never be less than the

out-of-pocket costs, plus a margin above that, again, so as to contribute something towards the overhead expenses of the railway; and, on the other hand, it must never be lower than is necessary to meet competition. You see the two points?

A. Yes, I do.

Q. According to him, no competitive rate should ever be down to the bare out-of-pocket costs, and much less than the out-of-pocket costs, and the result is that, if you cannot meet competition successfully without a reduction of that kind, you had better let the thing go.

MR. SINCLAIR: Would you look at one specific movement? When you look at one specific movement you must look at all the factors involved in that movement.

THE CHAIRMAN: Mr. Ewer says he concludes - I do not know what his evidence is - but that you are, in certain parts of the country, rendering this service at less than out-of-pocket costs. I was aroused by that statement because it is a violation of a very clear principle. Do you admit that it is a fact?

MR. SINCLAIR: I certainly do not, Mr. Chairman. I say that the rate must be looked at with all the experience of our officers, because there may be factors which are not apparent on the surface. Competition may have a tendency to break down a carload rate; or an L.C.L. rate may be under consideration; or a truck competitive rate, which may be met.

THE CHAIRMAN: But down to a certain level and not beyond that level?

MR. SINCLAIR: But when you take all the factors

into consideration, you look upon it in its over-all picture. You take a rate and you make sure that it does not go below the cost of providing the service, and, in some measure in its totality, contributes to the general expenses of the railway. That was why I asked specifically, Mr. Ewer, for some examples of this widespread existence.

THE WITNESS: I suggest to you that you have, on the prairies, direct competitive rates which, after you have paid for your pick-up and delivery and your freight house expenses, leave you practically nothing to transport the product over fairly large distances.

MR. SINCLAIR: That is why I explained to the chairman - and I want to be fair about it - that there may be an element in breaking down, let us say, a carload rate which is involved; and there are other factors besides this which may not appear right on the surface. I can understand how a person may look at one rate instead of another and come out, it may be, with the wrong answer. But the principle and the position of the company is, as has been stated by Mr. Walker; and I, too, have stated it to the best of my ability right now; and if there are these widespread instances, I do ask Mr. Ewer to bring them to our attention, or state how he knows and how he arrives at the fact that they are below cost.

Q.

THE CHAIRMAN: Have you the rates that are being charged and the localities?

A. I believe I could supply them. I did not come prepared to give them here today.

Q. The fact that the railways, in certain localities, are rendering this service for the bare out-of-pocket costs,

or less than those, as Mr. Walker says, they must be recouping themselves elsewhere; and that is a thing we do all want to know.

A. They have a pot of revenue here and a pot of expenditures; and they come to the Board of Transport Commissioners and say: We must have a 30 per cent increase because we have not enough in the revenue pot. Yet the 21 per cent increase did not correct the inequalities, where they were doing truck competitive service at less than cost; And the dealers have to pay the charges and they do not have any recourse.

Q. Those are facts which will have to be more definite.

MR. SINCLAIR: Certainly. These are matters about which we must hear more.

THE CHAIRMAN: It is a matter of principle:

MR. SINCLAIR: Yes; and the principle of the company is not, in view of all the circumstances, to carry this traffic at something less than out-of-pocket costs, and not to provide something more for the general expenses of the company.

MR. FRAWLEY: Might I say here, that in the 30 per cent case, I filed a brief to which were appended schedules. One of them is in my mind now. There was a rate, a freight rate, to carry fruits ^{from Vernon} to Calgary for \$1.04, and from Hamilton to Montreal, which I used, because it was the same mileage, it costs 45 cents. I am speaking from memory; it was either 45 cents or 47 cents. I think 45 was right.

THE CHAIRMAN: Forty five cents for what?

MR. FRAWLEY: Forty five cents per hundredweight, the same as for the \$1.04. And when one speaks of getting down

to rockbottom, that is for refrigerated fruit; and I am told that the manner of the movement is practically equal to express because it moves out over night from Hamilton or the Grimsby district to Montreal. I simply call Your Lordship's attention to that now. I shall be referring more particularly to the tariff schedules. There was a disparity of \$1.04 where there was no competition, and 45 cents, where there was competition by a water-compelled rate, but it was only a seasonal rate effective merely during the season. Nevertheless there was a disparity.

THE CHAIRMAN: Yes; but can you go further and say that the 45 cents did not cover the cost?

MR. FRAWLEY: No, Mr. Chairman. There has been no examination made. I only bring it up now to provide something to look at when we are comparing two rates, such as Mr. Ewer is putting into the record today.

MR. O'DONNELL: But you are not comparing like with like. You are trying to compare two different rates which are of two different types on two different bases which have been approved by the Board.

MR. FRAWLEY: That is not the aspect we are discussing at all. We simply point out that there the railway is prepared to move some kind of freight for 300 miles for 45 cents, while in the mountain differential traffic they charge \$1.04. The question will arise, and the Commission will want to investigate whether that 45 cents does return these out-of-pocket expenses.

MR. O'DONNELL: There is no use putting up straw men just to knock them down. My friend did not compare like with like.

THE CHAIRMAN: You are setting up as a fact that this 45 cents is a competitive rate?

MR. O'DONNELL: Yes. Two different things.

THE CHAIRMAN: Does it violate the principle of these competitive rates which Mr. Walker set up? Very well, Mr. Sinclair.

MR. SINCLAIR: Q. Mr. Ewer, at page 8, the eighth line from the bottom, you say that in Manitoba, Saskatchewan, and Alberta "... low rates on their major industry are maintained in return for a gift from the national domain (in Alberta and British Columbia) to the railway."

Does this refer to the Crows Nest rate?

A. That is right.

Q. I suggest to you - and will you correct me if I am wrong - that the subsidy involved in the Crows Nest Pass agreement was a cash subsidy from the Dominion, and that there was nothing from British Columbia or Alberta involved in that agreement. Is that correct?

A. I will accept your statement of it. There was no land grant tied up in it. It happened before I was born, so I would not know it.

Q. All right. Now, if you will turn to page 8 - and you are dealing there - I won't take the time to read it, but in the paragraph just before the summary - it is taking quite a bit of time, but I would like to say to the Commission and to Mr. Ewer that I am sure that if he goes into the subject of grants, land grants and other grants to the Canadian Pacific, and matters of that sort, he will find that we have earned them in full measure, and are still earning them full measure. And I would like to say that that language is just

more than extravagant. But I will ask Mr. Ewer to turn his attention to the summary that he has there; and he says that the carrier should be required to publish through international rates, or probably rates to border points. Now, this is a matter which has been before the Commission a number of times. You would agree, would you not, that the Board could not force United States carriers to become parties to through rates established by the Board of Transport Commissioners?

A. Yes, our phraseology is unfortunate there. I will admit that, right off.

Q. Failing the jurisdiction of the Board or any Board in Canada, no Canadian constituted body has jurisdiction over through rates, has it?

A. Not over through rates; that is right.

Q. Failing that, you ask the Board of Transport Commissioners to force the railways to establish appropriate portions of the rates?

A. I did not say "force" anybody. I said that the railways should be required to publish.

Q. Oh, I may have used a bad word. I am sorry. You say: Would be required?

A. To publish appropriate proportionate rates to border points.

Q. Does that not mean that Canadian carriers, failing concurrence of their United States connections, would have to accept all the loss? By that, I mean, the difference between the combination on and off the border, and the through rate, which would be a proportion, and leave the United States lines with their full proportion?

A. You are assuming a yardstick for the through rate.

I am not saying it. I would feel that if we go into the United States, and if you are not able to join in a through rate, your American connections will not join; it should not be a sufficient answer to us that we pay the full charge to the border point and find our way from there to destination.

Q. Otherwise we would have to take the full loss?

A. No, not necessarily the full loss; but I think it is appropriate that there should be something.

Q. Whatever reduction was made?

A. The Canadian railway would have to take it.

Q. And it would not be able to spread it?

A. That is right. If they reach a point where their connection said: No, we won't have any part of it; then some assistance should be provided.

THE CHAIRMAN: This paragraph does ^{not} call for a reduction of rates but for a publication of rates.

MR. SINCLAIR: A through rate, we can say, on principle, is at a lower basis than two combinations of locals.

THE CHAIRMAN: But it would not be a through rate in the second portion of this paragraph.

MR. SINCLAIR: It is an alternative, quite so; but the effect becomes - it is probably on a through rate, or not having jurisdiction over a through rate -

THE WITNESS: The same as if it was a proportion of a through rate. You do publish a proportion of rates particularly inbound, but not so freely in the opposite direction.

MR. SINCLAIR: Q. It is a matter of concurrence between the carriers involved, and the fact that there is

no international jurisdiction. We have had experience where our efforts to reach certain justifiable markets have been hampered because we could not get either a through rate or a proportionate rate to the border.

THE CHAIRMAN: Q. You mean: markets in the United States?

A. Yes, and it is for that reason that that thought has been injected here for the Commission's consideration.

Q. Does it follow that a proportion of the rate from, let us say, Vancouver to the border, and further on into the States, would be less, or would it be greater than the local haul?

MR. SINCLAIR: It would be less. If there is objection to a combination of the two local rates, and you are going to ask us to publish a proportionate rate, then, ipso facto, it is less.

THE CHAIRMAN: It would be less than if the transportation was to stop at the border?

MR. SINCLAIR: Yes. And we say that the effect of it is to put the whole burden on the Canadian railway.

MR. SINCLAIR: Q. Now, on page 9 in your final paragraph, is it your view that the Board of Transport and Commissioners have given effect to the railway's views, /have failed to give effect to the shipper's views? Is that what the paragraph means?

A. Mr. Sinclair, I think, after looking over the Board's orders, judgments and decisions for quite a number of years, I have reached the conclusion that there have been times when the carrier interest predominated in determining the decision.

Q. You have studied all these Board orders?

A. No, I have not studied them.

Q. And looked at what has happened, and analysed the facts?

A. Travelling a lot of the time, you have a lot to do besides this class of work, but that is the impression I have gained over a period of perhaps twenty years -- I do not say in every case, but I have gained the impression that perhaps the shipper interest is not as well presented as it might be, maybe our interest -- in fact, I am quite sure it could be much better presented than I am able to present it.

Q. You are altogether too modest.

A. But I do not think that could affect the Board's determination of the justness of the case that the shippers present.

Q. It does not, Mr. Ewer, it does not.

Q. Well, I am glad to have your assurance.

A. I am glad to be able to give it to you. Now, would you mind looking at your Appendix B?

THE CHAIRMAN: Q. You were asking us to recommend that the Canada Railway Act be amended.

A. Mr. Chairman, if I may inject at this point, there is a factor in American railway legislation which we do not have, and that is that over there if the Interstate Commerce Commission finds that the carriers have established a rate which is subsequently found to be unjust and unfair and unreasonable, as from a certain date they make the new rate retroactive and they award to the shipper a refund of the charges which exceeded what they have now found to be a just and reasonable rate. We should have a

similar position, we feel, in Canada.

MR. SINCLAIR: Q. That is the question of reparations is what you are now dealing with there?

A. Reparations, right.

MR. SINCLAIR: That is a big subject, Mr. Chairman, and the time is getting on. I could ask Mr. Ewer many questions, but I am sure that I have noticed another brief that is coming forward, and we will have the opportunity of dealing with it then. There are matters of suspension of rates and other matters, and the difference in conditions between the United States carriers and our own, that will be gone into at another time.

THE WITNESS: If I may, Mr. Chairman, there is another factor. It has been my experience that the Board of Transport Commissioners is not as ready as is the Interstate Commerce Commission to initiate investigations on its own behalf with regard to rates and other transportation matters, and there are some subjects, irrespective of the Act, which the Board tells the shipper are without its jurisdiction.

MR. SINCLAIR: Q. Well, there is one point there that you have raised, Mr. Ewer. The Board has full power under the existing legislation to raise matters on its own behalf and to go into matters on its own behalf?

A. It does not often do so.

Q. But it has the power? That is the point; that is the question.

A. But it never exercises it.

Q. Never?

A. Well, perhaps not never, but infrequently -- let us put it that way.

Q. But it has the power? That is the point I am making.

A. That's fine, okay.

MR. SINCLAIR:

There are a number of matters on this appendix that I think should be drawn to the attention of the Commission. I will just mention them, and not deal with them by means of asking Mr. Ewer questions, because I know that your technical staff, sir, will be checking this schedule, because there are a number of corrections that I think should be put on.

THE WITNESS: Have I made some mistakes

MR. SINCLAIR: For instance, I think that I should say the competitive rates in the east have been increased by 39%.

THE CHAIRMAN: Where is that referred to?

MR. SINCLAIR: Well, for instance, you see, he makes comparisons. It says right there, "These figures are exclusive of 21% increase." That is after Grimsby, Ontario, to Quebec, Vancouver to Banff, etc. He says these figures are exclusive of 21% increase. What I am pointing out is, that is quite correct, but in the west these figures with the 21% increase should be compared to the figures in the east with the 39% increase, because the eastern rates were increased, being competitive, were increased 21% and an additional 15%, therefore 39%.

THE CHAIRMAN: An additional what?

MR. SINCLAIR: 15%. They were competitive rates, and were increased. For instance ---

THE CHAIRMAN: You mean the competitive feature was removed or lessened?

MR. SINCLAIR: No; there was an increase of 15% in addition to the 21% on these eastern rates, they

being competitive rates.

THE CHAIRMAN: The 15% was added to the competitive rate

MR. SINCLAIR: Compounded on the 21%, to make a total of 39%. Now, on that comparison at the bottom, I would just like to state -- I know Mr. Ewer will be glad to have this corrected -- for instance, this Chatham, Ontario, to Woodstock, N.B., that rate has been cancelled and the rate now is 85 cents; similarly Chatham to Moncton.

THE WITNESS: Still a shade low, Mr. Sinclair.

THE CHAIRMAN: Instead of what?

MR. SINCLAIR: 50 is there now. That was a special rate that has now been cancelled; that is Chatham to Woodstock, Woodstock to Moncton.

MR. FRAWLEY: Is the 85¢ an all-year rate?

MR. EVANS: No, that is a seasonal rate.

THE WITNESS: They have both become 85, have they, Mr. Sinclair?

MR. SINCLAIR: Yes.

THE WITNESS: They still show a disparity.

MR. SINCLAIR: And also Chatham to Yarmouth; that becomes \$1.05; Windsor to Middleton, at the top of the page ---

THE CHAIRMAN: Where is Chatham to Yarmouth?

MR. SINCLAIR: That is the second one there; that is \$1.05. Some of these are C.N.R. points, and I am sorry I have not got the figures. Chatham to Truro, Nova Scotia, has also been cancelled.

THE WITNESS: They are subject to correction, Mr. Sinclair, wherever I have them wrong. The best material I had was what I have used.

MR. SINCLAIR: Quite so, quite so.

MR. FRAWLEY: There is the 45¢ as against the \$1.04 right there.

MR. O'DONNELL: The same old reason.

MR. SINCLAIR: That is all, thank you very much.

THE CHAIRMAN: Any other questions

MR. O'DONNELL: Yes, my lord, if I might just ask a few.

CROSS-EXAMINED BY MR. O'DONNELL

Q. As a matter of fact, Mr. Ever, my information is that not only were some of these rates increased 39% -- that is, 21 plus 15 -- but in some cases they were increased even more than that in the east?

A. We have had a similar experience in the west.

Q. You are not alone, then, because they had it in the east too.

A. That is one of the cases where you treated us both alike.

Q. Furthermore, these rates on Appendix B at the bottom of the page, in so far as the eastern rates are concerned, you are aware, are you not, that they are water-compelled or motor truck competitive rates?

A. We are not denying that, Mr. O'Donnell; we are simply setting them up there to show.

Q. Well, I am simply indicating that they are ~~xx~~ not comparisons of like and like, because they are based on an altogether different set-up.

A. Well, an eastern rate and a western rate, if you like, are not like and like.

Q. Not on a mileage scale or anything that is comparable?

A. Our whole point is that these rates in the east

evidently do not produce sufficient compared with our rates in the west, or you would not have been out here looking for 21%.

Q. That is another matter.

A. All right, it is another matter.

Q. I don't think you have gone far enough into it to know that, as a matter of fact.

A. You might be surprised.

Q. Well, in any event, you did know two years ago when we were out here that these other rates in the middle of the page that you have in the bracket with the X on them were motor truck competitive rates; you remember that, because in volume ---

A. Where are these? On Appendix B, the first page?

Q. Kelowna to Banff, comparison with Hamilton, Ontario, to Pembroke, and Vancouver to Banff as compared with Grimsby to Quebec; you remember those

A. Yes.

Q. In fact, you put them in your brief at that time, as I remember it, indicating, as you said, what motor truck competition has done for the eastern growers, as indicated by the following examples, and then you gave the very examples that you have in Appendix B that I have just mentioned?

A. What is the general burden of our presentation, Mr. O'Donnell, if you have been able to ferret that out?

Q. Pardon me?

A. What is the general burden of our presentation?

Q. I am not interested in that; I am not interested in anything but asking you a few questions.

A. Only on that basis can I tell you why these are in here.

Q. Well, if you wish, I have no objection; you are quite free to go ahead.

A. We attempt to show that the west is under certain distinct disadvantages, and that as a result of those disadvantages or preferences elsewhere we are paying higher rates than we should.

Q. That is a conclusion that you jump at?

A. No, I am not jumping at it.

THE CHAIRMAN: Q. I suppose the disadvantage you refer to here is the lack of truck competition -- is that right -- Kelowna to Banff and Vancouver to Banff?

A. The difference in rates, Mr. Chairman, is reflected ---

Q. Mr. O'Donnell says that the lower rates in the east are caused by truck competition.

A. We will concede that, but the point ---

Q. And you say that here you have no truck competition?

A. Correct. The point I suggested to you a little earlier, Mr. Chairman, was that because of those abnormally low rates we in the west are standing under the burden.

THE CHAIRMAN: I know the inference you draw, yes.

MR. O'DONNELL: Q. All I am asking you, Mr. Ewer, is to agree with me that what you said two years ago concerning these two rates which you compared, two eastern rates with two western rates, the comparison that you made is not of like and like, in that the eastern rates are motor truck competitive rates, as you said two years ago, at page 8568?

A. I agree with you.

Q. Thank you; that is all I have in mind. Now

would you go back to page 5 of your brief, and I would ask you if the same situation does not prevail concerning the comparisons you gave of the rates from Grimsby to these various points in the east and the rates from Kelowna to the other points mentioned at the top of page 6. Are not the rates in the east from Grimsby to Montreal, North Bay, Cochrane, Fort William, St. John, Halifax, water competitive rates?

MR. FRAWLEY: Cochrane?

MR. O'DONNELL: Q. Except the Cochrane one?

A. You notice, Mr. O'Donnell, they are express rates.

Q. Yes, that is true.

A. You have got that.

Q. Yes?

A. You do not suggest to me that cherries move from Grimsby to Halifax by motor truck or by water? Not to Halifax, not eleven hundred miles.

Q. Well, there is the influence of water or the motor truck?

A. There cannot be.

Q. Available?

A. There cannot be.

Q. There cannot be, in your view?

A. No.

Q. Well, that's fine; all right.

A. You don't move cherries that way, unless they are a very hardy variety of cherries that they grow in Ontario,

Q. Well, they have Ontario cherries that move by truck, do they not?

A. Over limited distances, yes.

Q. Maybe to Montreal from Grimsby

A. Possibly Montreal, yes.

. And that is one of the rates you give?

A. A dollar.

Q. Well, if the trucks are willing to take it for a dollar, do you not agree that the railway could, if it were getting its out-of-pocket and any contribution towards its overhead, take it if it wished? What is your view on that

A. My suggestion is that it cannot be getting its out-of-pocket.

Q. But you have not looked into it, and you do not know?

A. Well, that is what you say.

Q. I am asking you, have you looked into it and do you know, and are you asking the Commission to believe that you know what you have just said?

A. No, but I am putting things on the record here which the Commission may, if it thinks it worth while, investigate.

Q. I am just asking you if you have looked at that rate and if you know?

A. No, but ---

Q. That is all I am interested in; we need not quarrel about it; you and I are good friends.

A. Just a minute, now. If Mr. Ham and Mr. Martin had told us when they were out here in April that this was the rate they were publishing there, do you think we would have agreed to these rates that they published for us?

Q. Whose rates?

A. On the next page, \$2.20.

Q. Well, I don't know what you and Mr. Ham said at lunch or anywhere else.

A. Because Mr. Ham and Mr. Martin kept us in the dark the same as the traffic department does sometimes.

Q. Well, we are in the broad daylight as far as I am concerned here, and not in the dark at all. I am just asking you if you would not agree that you have not looked into this.

A. I will agree to that; after all, I have a lot of other little chores to do.

Q. That is all right; I am not reprimanding you for it; I have a few others, too. Now, there is one other thing here; you spoke of some blanket rates a while ago?

A. Right.

Q. And I took it from what you said that the fruit growers had found these blanket rates were something that were very interesting to you.

A. We are very alarmed that they have just torn the blanket up here.

Q. Well, that is something I am not interested in going into, but you did think that the blanket was of use and you liked it?

A. No question about it, no question about it.

Q. Right. That is just what I thought you would say. My next question to you, then, is as to whether or not that is not an example of a factor in rate making and of a rate which is based on something strictly other than mileage; some of our friends have said here that the rate should be mile for mile so much.

A. We have not said that yet, have we?

Q. Not you, but some other people.

A. We don't know much about it, but we have never said that yet.

Q. You would agree there that that is an instance of a rate which was based on something other than strict mileage?

A. There were other factors, of course; there must have been.

Q. Well, you agree that there were other factors in rate making than the mileage factor, don't you.

A. After all ---

Q. Well, don't you? -- because some people apparently do not.

A. Well, do you think that we do not?

Q. I am asking you, and I don't think you do, so just say you don't or say you do; say whichever you please, but let us have it on the record so that when we go away six months from now we will remember what you said by reading it.

MR. FRAWLEY: How many months?

MR. O'DONNELL: Q. I would like you to give me an answer on that.

A. All right, go ahead and state it again.

Q. Just answer.

A. State it again and I will answer.

Q. There are cases where rates are made on bases or a basis of other than a strict mileage basis

A. Very definitely.

Q. Many factors may enter into the basis or the reason for a rate other than the mileage?

A. That is elementary.

Q. That is what I thought you meant; but I wanted it

on the record. Now, referring to page 6 of your brief, I am just going to ask you, so far as the Canadian National Railways is concerned, if you would give the Commission an instance or instances of what you have said are widespread instances of departure from this principle, the principle being that every item of traffic carried should be compelled to pay the full out-of-pocket cost of its movement; will you just give the Commission one instance, or as many as you can think of, where the Canadian National Railways has departed from this principle to which you refer?

MR. BRAZIER: Mr. Ewer said he did not have the examples here now; he has undertaken to supply the Commission with them.

MR. O'DONNELL: That is quite all right. If he cannot say ---

MR. BRAZIER: He has said already he cannot say now.

MR. O'DONNELL: He said that with respect to the other rates. He may not have had the C.P.R. instances, but I am asking if he has got the C.N.R. instances. I assume that when he wrote it he had something to warrant it, and I am merely asking ---

THE WITNESS: Your assumption is entirely correct.

MR. O'DONNELL: Then if you will be good enough to let us have that, we will be glad to check into them and see how far we have departed and what the facts are.

A. Go ahead.

Q. You think we have departed; that is where we will leave it. Now, at page 7, Mr. Ewer, you make a

reference to costly canals, and to the fact that the canals, for which the people of western Canada helped to pay, you now find are used as an argument for low freight rates in the territory served by the facilities. In your experience, in your knowledge of rate matters, are not the rates to and from Fort William on points in and from western Canada influenced by water competition, and does not western Canada in many instances benefit by the fact that these canals are where they are in the St. Lawrence River?

A. Well, after all, of course, my interest chiefly is fruit and vegetables; they do not move lake and rail, do they?

Q. But then you have not restricted it quite to that; you have been very general in this, and you have said that the people of western Canada now find that these canals or this water is being used as an argument for low freight rates in the territory served by the facilities?

A. I do find it.

Q. Have you looked into that one?

A. That is what my railroad friends tell me.

Q. But you personally have not looked into it?

A. All right.

Q. Now, I just read this to you and ask you what your view is with respect to it; this is an extract from a judgment of the Board of Transport Commissioners concerning this very subject.

A. When?

Q. At page 62.

A. When.

Q. The judgment of the 30th of March, 1948, putting into effect the 21% increase, where the learned Chief Commissioner said as follows:

"Lower rates in eastern Canada are compelled by water competition, combination of water and motor truck competition, as well as rates established by the United States lines, particularly so far as export and import traffic is concerned. The water competition extends throughout eastern Canada from its eastern coast to Fort William and Port Arthur. These compelled lower rates have resulted in benefit to western Canada for the reason that traffic moving between eastern and western Canadian points obtains the benefit of such lower eastern rates for the portion of the haul within eastern territory, with the result that rates to and from points in western Canada far removed from the water obtain the advantage of the compelled rates for the eastern portion of the haul."

A. That is what the Chairman says.

Q. Do you disagree with him?

A. I do not necessarily disagree with him, but I do not have to subscribe to it either, do I?

Q. Well, you have not looked into it and do not know, and he has; fair enough? Leave it at that? (No answer).

Q. Thank you. Then this Appendix B, Mr. Ewer, of your brief -- you do not mention there, do you, rates from Western Canada to eastern Canada compared with rates in the opposite direction? You just give it the one way. Do you not know that, for example, in the case of shipments of apples, carloads, from the east to the west, as compared

with a shipment from the west to the east, the east pays a higher rate than the west?

A. No, the east does not.

Q. Well, I will just ask you this one: Kelowna to Toronto ---

THE CHAIRMAN: Pardon me: how far west?

MR. O'DONNELL: Kelowna to Toronto, my lord.

THE CHAIRMAN: From Toronto?

MR. O'DONNELL: Well, I will take it from Hamilton to Edmonton. I have one comparison: Hamilton to Edmonton, 2039 miles, the rate is \$1.92.

(Page 2891 follows)

MR. FRAWLEY: What is this on?

MR. O'DONNELL: Apples, carloads from Kelowna to Toronto, 2,440 miles, the rate is \$1.82. You are aware of that one?

THE WITNESS: Yes, but you do not ship any apples to Edmonton.

MR. O'DONNELL: I don't know. I am asking you if you are aware of that rate which is there for anyone who wants to ship. If the easterner wants to ship west he has to pay a higher rate than you do shipping east.

THE CHAIRMAN: Kelowna to where?

MR. O'DONNELL: Toronto.

THE WITNESS: If you had figured Toronto to Kelowna he could not have reached Kelowna because of the rate.

MR. O'DONNELL: Q. You do not have apples shipped to Kelowna. I will agree with that. You ship them into Nova Scotia, and the rate permits you to get into Halifax. It is so fair to the western shipper in that case that they can get right into Halifax and undersell the Nova Scotia apples.

A By reason of the superiority of the product.

Q That is something I will leave to Mr. Covert to defend. The fact is I have bought Okanagan Valley apples right in Halifax.

A Yes.

Q The rate allows you to do that.

MR. FRAWLEY: You bought them for the record.

MR. O'DONNELL: I bought them for the record, and I bought Moir's chocolates for the record. You can get

them for the same price here as you do there.

THE WITNESS: I do not deny that.

MR. O'DONNELL: Q. I am pointing out that in Appendix B you do not give many rates the other way, and I wondered whether we could not agree.

A Subject to the limitations of our material we have given what we have.

Q That is fine. You gave us all, and that is all you can do.

MR. BRAZIER: Mr. Ewer has been giving rates on which traffic actually moves.

MR. O'DONNELL: That is right.

MR. BRAZIER: You are giving other rates.

MR. O'DONNELL: He does not deny that traffic can move from Hamilton to Edmonton.

MR. FRAWLEY: If you can find any Hamilton apples in Edmonton I will give them all to you.

MR. O'DONNELL: Q. Again in Appendix B, the last page, Chatham to Thetford Mines, 45 cents. You want to compare that with the rate from Mission to Fernie?

A What does the 45 cents become now?

Q I don't know because you did not put it in there and I did not bother to check it up. I am simply indicating that it is a motor truck competitive rate again.

A All right, I am not questioning the basis of these rates. You know from my story what I am trying to say on the record about these rates, and the Commission knows what I am trying to say.

Q In my respectful view you cannot compare anything

except like and like to get a proper comparison.

A That is your view.

MR. FRAWLEY: It is difficult to restrain oneself when my friend --

MR. O'DONNELL: Don't restrain yourself. You have not yet.

MR. FRAWLEY: My friend has said so often that we can only compare like and like. Probably that would be so if we were before the Board of Transport Commissioners. They would point to case 8, and X, Y and B.

We are now before this Commission, praise the Lord, and we will quote these rates. We will call attention to these comparisons. We will compare unlike with unlike.

MR. O'DONNELL: This does not get us very far, but I heard my friend use the expression "like with like" for two years solidly.

MR. FRAWLEY: That was something else again.

MR. O'DONNELL: This is another one, too.

Q At page 8, Mr. Ewer, the second sentence in your summary, you say:

"That departure from the basic scale to meet competition of other forms of transportation, or afford wider distribution, should be subject to specific authorization of the Board of Transport Commissioners.

You have a commodity rate on fruit published to eastern Canada that is lower than the class rate, is it not?

A Right.

Q From British Columbia. Is it your idea that rate should have been subject to specific authorization by the

Board before the railways could give it to you? Is that your view?

A No, that is not what I say.

Q That is as I read it.

A We start off and say first of all that there should be a basic class and commodity scale throughout Canada. Assuming that the Commission in its wisdom recommended that policy to the Board, it would not take us terrifically long for the railroads to set up a new basic class and commodity scale, and the various other related rates. Thereafter adjustments would have a yardstick in front of them. That is all I am saying. I am not saying that every time we want an emergency adjustment we have to wait while it goes through.

Q You would like to get that in a hurry before the fruit goes bad.

A Because there would be a yardstick which would indicate what you could do or should do.

Q You would like to be able to get that by going to the railroad and making an arrangement to get it without too much delay?

A I was in Victoria the other day.

Q You heard what was said in Victoria. Do you agree with that?

A Well, the answer is that I do not.

Q The answer is patent that you do not.

A And that is not what this visualizes.

Q Not that particular one, but a little further on; you do not think that business should be retarded and delayed by forcing the shipper and the railway, or either

of them, to go to the Board and ask for approval every time the shipper needs a rate. You prefer to let the business be done?

A But I believe there should be mechanics which would prevent the carrier being carried down in regard to his rate beyond a point at which it was even remunerative.

Q I agree with you there.

A You know there are instances when pressure has come into effect there.

Q I have asked you about that and you will not tell me one instance.

A I will get you some.

Q That is all right. As and when you do we will look at that from another point of view. In the meantime I want to be clear that you do not agree with the proposal put forward in Victoria that --

A I do not agree with the terms, just how they develop it. I will go along with you, and let us save time.

Q Do you think that the present system is fair enough on that basis, that by negotiation between the railroads and the shippers you get a rate under the ceiling that suffices?

A Under the ceiling is not good enough. You are very fond of that ceiling. I am not. I would rather have a floor.

Q All right, under a floor, between the floor and the ceiling.

A O. K.

Q All I want to know is whether you want to tie the

railways up so that they cannot do business with you without going to Ottawa when you come to them and ask for a rate?

A And I exert so much pressure that you get down below the cost of operation.

Q I do not want you to add that at this stage. I am trying to find out from you whether you agree with the proposal which is in the extract of brief presented by Mr. J. E. Brown at Victoria, and which reads:

"It is here suggested, therefore, that before a new rate is initiated or an old rate changed, particularly of the commodity or competitive type, the railways satisfy the Board of Transport Commissioners of the necessity and profitability of any such proposed rate."

I simply ask you do you agree with that?

A I think you are making more out of that than is necessary.

Q I am reading what it says.

A You are making more out of that.

Q Do you agree with that statement or do you disagree? I am not here to try to force you to agree to it. You are a shipper of experience.

A There are practical mechanics in all these things, are there not, and you and I would devote ourselves to the practical mechanics.

Q Right.

A Certainly.

Q You would like it simple and flexible?

A It could be a lot simpler.

Q But in any event would you please say "yes" or

"no" to the proposal I put to you? Do you agree or do you disagree with the extract I have read?

MR. BRAZIER: It is hardly fair to put that to the witness.

THE CHAIRMAN: I think you have proceeded far enough with that.

MR. O'DONNELL: All right. If he does not choose to answer --

THE CHAIRMAN: We have reached the point where it does not matter as to that particular answer.

MR. O'DONNELL: I do not think it does either.

Q With regard to the proposal that railway carriers be required to publish through international rates --

A I explained that, did I not, to Mr. Sinclair?

Q You may have explained certain aspects of it. I want you to explain another aspect to me. You know that the railways publish through rates on fruit?

A Oh, yes.

Q To the eastern United States markets.

A I do not imply here that I do not know that, for goodness sake.

Q You do not say anything about it, and I wondered why you were silent about it. You know that they do, and I will leave it at that.

A Just a moment; you are leaving it at just the wrong place.

Q Then you say anything more that you want to.

A We have through rates to certain parts of the United States, but I am referring to the parts where we have not and cannot get them.

Q All right.

A Do not try to read into my evidence what I have not said.

Q I am not trying to do that. I am trying to get a fair answer to my question.

THE CHAIRMAN: Your question was whether or not there were not through rates to the eastern United States?

MR. O'DONNELL: That is right.

THE CHAIRMAN: Q. Do you know whether there are or not?

A We enjoy that. We enjoy through rates to the whole area that can be reached through North Portal, Saskatchewan, the whole of the eastern United States to Jacksonville, Florida.

Q But you have not such favourable treatment in the west?

A If we want to reach California that is another proposition. If we want to reach Colorado it is another proposition.

Q
MR. O'DONNELL: Will you not agree that the American Carrier has something to say on that?

A As to the through rate. As I said to Mr. Sinclair, we rather were carried away when we said that through rates should be published because naturally you have got to have concurrence.

Q You have got to get the other fellow to agree, and if he will not agree we cannot give the rate?

A Yes.

Q That is all right. With regard to one of the statements you make in the summary, you are aware, are you not, that the railways have published commodity rates on

apples from British Columbia to western Canada to assist the growers in marketing crops when emergency conditions prevail during certain seasons?

A Oh, yes.

Q Do you suggest that the railways should consult the shippers in eastern Canada before taking any such action as that?

A I do not think that is patent in what I say.

Q I am just wondering --

A Where are you reading it?

Q I am not reading it from anything you wrote. I am reading it from something I wrote, and I ask you if you feel that we should consult shippers in eastern Canada before giving you that concession in western Canada? That is all I am asking.

A I do not say so.

Q I did not think you would. Thank you very much.

THE CHAIRMAN: Are there any more questions?

MR. COVERT: I have a few questions I should like to ask.

THE CHAIRMAN: Will they take long?

MR. COVERT: I think it will be about ten minutes or so.

THE CHAIRMAN: Well, we will begin anyhow, but we may have to adjourn before you go very far.

EXAMINATION by MR. COVERT:

Q Will you turn to page 3 of your brief. It would appear that under normal marketing conditions your export market had been steadily increasing until you reached

nearly 50 per cent, somewhere between 40 per cent and 50 per cent of your crop, and that originally your main export market was the United Kingdom, and when you lost that you developed a United States export market. The question I want to ask is whether you consider that your Canadian market is the most important market that you have?

A Yes, it is the backbone of our deal.

Q You regard the American market as fairly --

THE CHAIRMAN: The Canadian market is the important one?

MR. COVERT: Yes.

Q You regard the American market as a pretty unstable market. I inferred that from page 3 of your brief.

A If they had a large crop of their own and prices were low we would be effectively shut out.

Q I think you referred to arriving at that market by virtue of a round-table agreement between the Canadian and United States apple producers. I wonder if you could tell the Commission exactly how that is arrived at.

A Well, I have never attended one of those conferences.

Q They get together and do they allot certain quotas?

A It almost amounts to that, and yet the subsequent marketing position would determine whether we availed ourselves of that quota, and in more than one year the marketing situation has been such, either favourable at home or unfavourable there, that we did not reach the agreed quota.

Q And do the agricultural agencies of both governments meet annually to do this?

A. With the shipper interests it is an annual arrangement subject to the conditions which are expected to prevail in that season.

Q. I see. Now, have you a breakdown of your Canadian market?

A. It depends how detailed you want it. I have brought some statistics with me.

Q. Yes.

A. What was your thought?

Q. What I wanted to arrive at was where the main part of your Canadian market was; was it in the prairies?

A. The figures I have here are 1947, if you will accept them, in approximations. I give them to you: In practically 5 million boxes of Canadian distribution, we put 2 million boxes in Ontario, Quebec and the Maritimes; so we put 3 million boxes in western Canada.

MR. FRAWLEY: Q. Could you break down that 3 million without too much trouble.

A. Yes, it is barely 3 million, but for this purpose it is sufficient.

MR. COVERT: Q. It is about 60 per cent of your market?

A. Of the 3 million boxes, 810 thousand were for Alberta, 748 thousand were for Saskatchewan; practically 642 thousand were for Manitoba; but those Manitoba figures by reason of the fact that our Winnipeg office serves Port Arthur and Fort William - those Manitoba figures include Port Arthur and Fort William, also Kenora and the points in between. In making up that, roughly, 3 million, there are some 600 thousand in British Columbia markets. Does that

suffice?

Q. Yes. That was, approximately, what I wanted. Has that, generally, been what is sometimes called out here a market pattern, that about 60 per cent is sold in the west and 40 per cent in the east?

A. It varies again. The eastern apple crop will have a bearing on our ability to avail ourselves of that market.

Q. I suppose when the Annapolis Valley lost its United Kingdom market, that would have some effect, would it not, on the Canadian market?

A. That had some bearing on the quantity of our apples that went into our market, although I would say to Mr. O'Donnell that it was the higher freight rate that did it.

THE CHAIRMAN: We shall now adjourn until tomorrow morning.

- - At 4:45 p.m. the Commission adjourned to meet again tomorrow, Wednesday, June 29, 1949, at 10:30 a.m.

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